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NATIONAL BUSINESS REVIEW

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Inside

Government move trumps anti-trust busters' Ace

by Warren Berryman

THE hastily introduced legislation preventing New Zealanders from giving information to the United States Justice Department regarding the activities of the shipping conferences was precipitated by an action involving the New Zealand Wool Board and Ace Lines, a non-conference carrier.

In 1978, the Wool Board invoked its powers under the Wool Industry Act to prohibit exporters from shipping wool to the United States with Ace at rates 10 per cent less than those charged by the cartel.

Ace took its case to the American Federal Maritime Commission.

The FMC did little about the matter of Ace being barred from the New Zealand trade. [illegible] of Justice's Anti-trust Division took up the case. It has sent "civil investigation demands" to the New Zealand/United States rate agreement cartel and its members, Columbus Lines, Blue Port (ACT), Farrell Lines, and ABC Containerlines.

The case being investigated by the Justice Department is one of "conspiracy to restrain and monopolise trade in ocean transportation of commodities between the United States and Australia and New Zealand by resort to boycotts, reciprocal dealing, and predatory pricing".

It is an offence in the United States to refuse to comply with demands for information by the Justice Department. Penalties range from a $5000 fine to five years' imprisonment.

The Justice Department is seeking minutes of meetings between cartel members in which the elimination of competition was [illegible] of the availability of containers to non-cartel members, details of contracts with the New Zealand Wool Board restricting shipping to cartel members, and contracts with New Zealand container manufacturers which tied the purchase of containers by cartel members to the manufacturer using cartel ships exclusively.

The last demand for information almost certainly relates to New Zealand container manufacturer George Ashton Ltd, an AHI subsidiary which was making containers until the firm was closed.

AHI was using Ace to ship fibreglass batts to the United States. Ace president Glen Scherkenbach said he was sure AHI had been under pressure from members of the shipping cartel to stop using Ace.

Speaking from his office in Chicago last week, Scherkenbach confirmed that the [illegible] inquiry.

Scherkenbach said the FMC did nothing about Ace complaints. This was because the FMC was subjected to and susceptable to political pressure and pressure from the shipping cartels. The Justice Department, he said, was far more independent.

Scherkenbach said he had not yet initiated fresh proceedings against cartel members. But the Justice Department probe had given him new heart and he was considering fresh legal action.

Scherkenbach said Ace was forced out of the New Zealand market by a combination of predatory pricing by the cartel and by actions of the Wool Board.

As a result, he said, the cartel enjoys a monopoly and can increase its rates with impunity.

For example, he said, the cartel planned to increase rates between New Zealand and the United States but not increase Australian-United States rates. That was because Australians enjoyed non-conference competition on the route, but New Zealand did not.

Scherkenbach said the New Zealand law prohibiting information going to the Justice Department would not affect the investigation. All cartel members had offices on American soil.

Obtaining documents from the Wool Board would be more difficult.

But Scherkenbach pointed out that there were two parties to those negotiations. The Justice Department could not touch the Wool Board, but it could get information from the shipping companies. The Evidence Amendment Act did not prevent successful prosecutions in the United States, he said.

The United States anti-trust busters were seeking answers to two questions before Parliament moved to effectively halt their investigation.

• *Did the Wool Board strike a*

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City's lures for industry

by Warren Berryman

FLAT out to attract industry to Waitemata and create an industrial rate base, the city council is sweetening the pot for businessmen willing to bring jobs and rates to the area.

In so doing, the council has opened yet another chapter in this city's six-year history of political infighting, allegations of corruption and conflicts of interest.

Recently, the council rezoned its own Lincoln Road 16.6 hectare site for sale or lease to light industry or service companies. This land, already developed and serviced, has been rezoned Industrial ZE.

The council also proposes to enter into a joint agreement with Neil Holdings to develop a 53 hectare site on Sturgis Road for an LPG station and other heavy industrial users.

As a sweetener, the council is offering incoming industry a three-year 50 per cent rate holiday.

And the council is reviewing its restrictive ordinances with an eye to providing incoming industry with what Mayor Ian McHardy calls "fast track approvals".

McHardy and his Waitemata Action Team enjoy a nine to five majority on council.

McHardy is pushing for industrial development first to provide Waitemata with an industrial rate base.

He points out that only 3 per cent of Waitemata's rates come from industry versus 40 per cent for other cities. And this places a heavy burden on domestic ratepayers.

Then, McHardy says, the city has a duty to provide jobs close to home, specially in these times of rising transport costs.

McHardy's detractors, harking back to McHardy's days as a lawyer and property investor, suggest the mayor might have other reasons for wanting this land developed.

They also fear the risk involved in the city investing ratepayers' money in property development, against expert advice, in this time of economic stagnation.

Ironically, McHardy's major challenger for the mayoralty in October's elections, city councillor Tony Covic, is likely to benefit from any development in Lincoln Road.

Covic owns a garage on Lincoln Road near the city's vehicle testing station.

Covic said he did not oppose the Lincoln Road development. But he said the Sturgis Road development could be a disaster if the city went ahead with it.

The Lincoln Road land has lain idle for 12 years, with the exception of Covic's garage and the council vehicle-testing station.

The site has been developed for light industry and service-oriented companies.

McHardy said four hectares were already committed to buyers and a further four hectares were under consideration by buyers.

Interested buyers mentioned to the council were the New Zealand Fruitgrowers' Federation, West Gas Industries,

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France blocks NZ deal

FRANCE blocked agreement on EEC sheepmeat imports from New Zealand. Farm Commissioner Finn Gunderlach's proposal for 234,000 tonnes and a 10 per cent levy will be reconsidered in October.

ALUMINIUM smelter partners Fletchers-Australian CSR-Alusuise will pay about 1.5c a unit for electricity for the country's second smelter project, compared with the bulk price of 2.3 kwh.

MOSGIEL will be rescued with the aid of $4 million Government financing package constructed by the DFC and Alliance Textiles. Only 400 jobs could be saved.

FORMAL application for the use of the "fast track" National Development Act was made for the "stand alone" Taranaki methanol plant by Petralgas Chemicals Ltd.

WAGE policy talks at the Beehive again failed to reach a conclusion.

NEW ZEALAND slid out of the Bahrain joint-venture cool store project.

WORKERS suspended from the Hygrade Packaging Company resumed work, ending a six-week dispute. Management granted the 100 Printers' Union workers $300 each.

REFUSAL to employ three women as slaughterers brought the Ocean Beach Freezing Company before the Equal Opportunities Tribunal.

HOPES for greater access for New Zealand agricultural goods under the American Republican party's free-trade policy were dashed when it was confirmed that the policy did not extend to such products.

MANUFACTURERS Federation president Laurie Stevens criticised Government plans on industrial restructuring. Hasty moves could damage the manufacturing sector and intervention was not necessary because restructuring was being effected by market forces, he said.

CANTERBURY retailers voted almost unanimously against Saturday trading.

THE Bank of New Zealand allocated an extra $15 million for housing loans to its customers over the next three months.

FIJI and Nauru will be cut out of a bill ratifying the Sparteca trade agreement with South Pacific countries in which trade concessions were granted.

A DISPUTE which could have closed Dunedin air services was settled when Transport Minister Colin McLachlan agreed to repair or replace surveillance radar equipment damaged in recent floods.

THE International Whaling Commission rejected a proposed ban on commercial whaling.

THE Foreign Service Association expressed concern at Defence Minister Frank Gill's appointment as Ambassador to Washington. It had hoped for the appointment of a career diplomat.

LABOUR MP Frank O'Flynn retracted statements linking the nominated chairman of the commission of inquiry into the Fitzgerald Affair with the National Party.

NELSON's free speaking MP, Mel Courtney, will not stand again for Labour. A wide gulf exists between Courtney and the Nelson Trades Council.

TRADE and Industry Minister Lance Adams-Schneider will retire from politics at the 1981 election.

JUDGE Taylor declared Arthur Allan Thomas innocent of the Crewe murders and instructed Police Commissioner Bob Walton to stop police harrassment of Thomas.

THE Auckland Regional Authority is putting up a grant yearly of $50,000 to the newly-set up Auckland Regional Orchestra.

FIVE hundred unemployed workers marched down Auckland's Queen Street in protest against the Government's temporary employment scheme.

BRITAIN is suffering from its worst unemployment since the Depression. In July 1,900,000 (7.8 per cent of its workforce, or one in 13 people) were out of work.

LIGHTHOUSE keepers reimposed their ban on weather reporting and threatened to turn off all lights and foghorns unless the Government agrees to set up a commission of inquiry into the automation of lighthouses.

COMMUNIST Party chairman Ralph Wolf claimed Auckland home had been bugged by a "government department".

THE Government is raising another loan — worth $NZ28,600,000 from West Germany.

Economic Indicators

ORDERS (excluding mineral fuels) placed overseas by major private importers during May totalled $148 million, a decrease of 2 per cent over the figure for April.

RETAIL sales for May totalled $690.9 million, an increase of 20.8 per cent over May 1979.

The business week

BP New Zealand Ltd applied for gold exploration rights in the Coromandel Peninsula.

Brambles Burnett Ltd has retained its listing at the Stock Exchange Association after selling 80 per cent of its shares to Mogal Corporation Ltd.

Cyclone Industries Ltd will pay a second interim dividend of 7 per cent on August 1.

Davy McKee won the contract for designing two methanol plants for the Mobil synthetic petrol project.

Lane Walker Rudkin Ltd will close its textiles garment factory in Hokitika.

Lloyds Bank Ltd reported an unaudited tax-paid profit of 1142.2 million pounds for the six months to June 30 (86.3 million pounds last year). An interim dividend of 7.5 pence is payable on August 29.

Mount Cook Group Ltd reported an unaudited tax-paid profit of $1,057,743 for the year to May 31 ($1,015,611 last year). A final dividend of 11 per cent is payable on October 16.

Transport North Canterbury Holdings Ltd reported an audited tax-paid profit of $432,314 for the year to March 31. A final dividend of 9 per cent is payable.

The week ahead

MONDAY: Teltherm Industries' annual general meeting.

TUESDAY: Commerce Commission inquiry into the removal of butter from price control.

Progressive Enterprises' annual general meeting in Auckland.

Burkes Caterers annual general meeting in Christchurch.

Statutes Revision Committee hearing.

Electoral Law committee hearing.

WEDNESDAY: American consumer crusader Ralph Nader addresses a charity dinner in Auckland.

Lusteroid Holdings (NZ) Ltd's annual general meeting in Auckland.

Alllex Holdings annual general meeting in Palmerston North.

Commerce and Energy select committee looks at the Companies Amendment Bill No 2.

SUNDAY: Manufacturers Association conference on automotive components in Rotorua.

Exchange Rates

As at July 24 1980 $NZ1 worth:

Australia	.845
Britain	.412
Canada	1.131
Fiji	
Japan	218.7
West Germany	1.692
United States	.982
Austria	12.04
Belgium	27.10
China	1.4019
Denmark	5.2501
France	3.9394
Greece	41.92
Hong Kong	4.7931
India	7.5350
Italy	806.37
Malaysia	2.0881
Netherlands	1.8517
New Caledonia & Tahiti	71.55
Norway	4.6810
Pakistan	9.5926
Papua-New Guinea	.6429
Portugal	47.49
Singapore	2.0580
South Africa	.7427
Spain	69.13
Sri Lanka	Not available
Sweden	4.0136
Switzerland	1.5581
Western Samoa	.8853

Production slides

INDUSTRIAL production in the United States continued its downward slide in June, declining by an estimated 2.4 per cent from the month before.

This follows drops of 2.4 and 2.2 per cent in the two preceding months, and smaller declines in the two months before that. The industrial production index in June was 7.7 per cent below its peak in March 1979.

Terminating building societies to be curbed

by Gordon McLauchlan

THE Government is expected to take action soon against terminating building societies.

It is understood legislation will be introduced early in September to prohibit the expansion of terminating groups.

Existing groups of shares will be sealed off and provision made for those who want to move their money out into permanent society accounts with money on call.

Those who choose to remain within the terminating structure will be grouped into special clusters for the remainder of the life-span of the shares — 20, 25 or 30 years, depending on the company.

No new terminating share sales will be permitted.

Terminating building societies are illegal in most other countries and the Government here is known to oppose them.

One of the problems is that money is lost if payments lapse in the first two years; and it is locked in until the group has been in existence for 10 years if payments lapse after the first two years.

Those terminating societies with guaranteed draw provisions written into their rules — like the giant Northern Building Society — are understood to no longer be opposed to the proposed Government move. They undertake to give every shareholder a draw of an interest-free loan within the life-span of the group.

With high interest rates, a greater proportion of ballot-winners than previously are taking the interest-free loan rather than selling it back to the building society for reinvestment. This has reduced the investment flexibility of these societies.

Those societies which have no guarantee of a draw are still happy with the profitability of the terminating structure.

Most societies are less worried than previously about the impending closure of the terminating societies because they have all acquired, or developed permanent societies which operate more like savings banks and have proved profitable ventures.

Reshuffled pack seems on the cards

by Colin James

ANNOUNCEMENT of Trade and Industry Minister Lance Adams-Schneider's planned retirement coming hard on the heels of Defence Minister Frank Gill's posting to Washington, raised hopes in Wellington last week of a substantial Cabinet reshuffle at some point.

But not yet, it seems. Prime Minister Rob Muldoon said he didn't have a date yet. Gill's resignation from the Cabinet would not take effect until he took up his posting.

There have been some heated exchanges at executive and dominion council level over the past few months as party notables have sought to press older ministers to stand down.

Adams-Schneider, as one of the National Party MP representatives on the executive, has been made acutely and uncomfortably aware of that pressure.

Last week he acknowledged the pressure and rescinded an earlier intention to seek re-election in 1981.

In doing so, he may have succeeded in blunting a planned move at the National Party conference to air the "geriatric" issue that has been bugging the executive and the council.

But there remained some targets still — most notably Minister of State David Thomson, who may yet face a challenge at selection. Allan Highet already faces a stern challenge for his Remuera seat.

All in all, three ministers have now indicated an impending retirement: Gill, Adams-Schneider and Transport Minister Colin McLachlan.

Deputy Prime Minister Brian Talboys is still expected also to stand down.

Though earlier this year the Prime Minister assured older ministers of places in the Cabinet through to the election, evidence was mounting last week that those assurances no longer hold good.

Government may not stick to GATT code

TRADE and Industry Undersecretary Keith Allen has conceded that the Government's export incentive scheme may contravene a GATT code on subsidies and countervailing duties.

But the Government had not yet decided whether to adhere to the code or not, the Undersecretary told Parliament.

He was answering Labour MP David Caygill, who had asked if it was correct — as suggested in *NBR* (June 30) — that the export incentive scheme announced in last year's Budget contravenes the revised general agreement on tariffs and trade signed in Geneva last year.

Replying on behalf of Overseas Trade Minister Brian Talboys, Allen recalled that several new codes of conduct had been negotiated during the multinational trade negotiations conducted under GATT auspices.

One of the new codes — which generally were aimed at giving greater precision to GATT rules — concerned subsidies and countervailing tariffs and referred to schemes based on remission of taxes or the allowance of special deductions related to export performance.

That reference "places in doubt the acceptability in terms of the code of export incentive schemes of the type we, and some other countries, have operated for many years," Allen said.

In discussions on the code, the Government had expressed "great concern" that subsidies on agricultural products were not subject to the same disciplines as those which applied to industrial products, he said.

That was a factor which the Government would take into account "in considering the most appropriate course for us to follow, in relation to the code".

Allen said he was not aware of complaints about the export incentive scheme from other countries.

But individual governments had not yet ratified the agreement, and retaliatory action against our exports was unlikely to happen until after ratification, Allen said.

Rate rise hangs in limbo

DETAILS of new postage rates — designed to bring about a 40 per cent increase in revenue — have yet to be decided by Government.

Prime Minister Rob Muldoon announced on Budget night that the standard letter rate would increase from 14c to 20c from October 1 but no decision has been taken on the size of other increases — for example, the rate for registered publications.

The week

Capital dose sought for ailing aircraft firm

by John Draper

SLUGGISH sales and development problems are forcing Hamilton-based Aerospace Industries Ltd to seek a dose of capital from its customers — the topdressing operators.

The company's future hangs on the turbo-jet Cresco topdressing aircraft, now reaching the last stages of a Civil Aviation certification programme, several months behind schedule after the first prototype crashed earlier this year.

The crash put a severe strain on the company's resources at a time when sales of its standard model, the Fletcher FU24, were falling in anticipation of the superior Cresco. Production of the military Airtrainer had come to a standstill.

Topdressing operators who use Fletcher aircraft were invited to a meeting by Airpart Holdings Ltd in Hamilton recently to discuss Aerospace's future. Airparts has an 18 per cent stake in Aerospace, James Aviation Ltd 32 per cent and Air New Zealand — on behslf of the Government — 50 per cent.

Exact financial data on the Hamilton-based private company is difficult to come by, because its results are consolidated by its three shareholders into their own accounts.

But the James Aviation annual report for 1980 noted that Aerospace "traded at a level lower than that achieved in the previous year".

"The phasing out of Airtrainer aircraft production leaves the company light on production to carry the overheads created and endeavours have been directed to increasing sales and thus production of Fletcher aircraft," the report said.

James Aviation consolidated a profit of $13,880 from Aerospace in its snnual accounts to October 31 1979, suggesting Aerospace's profit for the year wss $43,375.

A year earlier the James Aviation report had commented that Aerospace had traded "at a much more profitable level than hss been the case in previous years.

"However as a material proportion of the trading profit was used to write down the value of tooling on a discontinued line and on investments held in subsidiaries, the finsl profit for equity accounting purposes was well below that of the previous yesr."

James Aviation's 32 per cent share, recorded st $482,997, values Aerospace's total capital at $1.5 million, yielding a net return of less than three per cent.

NBR understands the company is not in urgent trouble, although chairman Skip Watson was called to s hastily convened meeting in Hamilton late last week.

Essentislly Aerospace wants to spread its capital shsreholding, diluting Air New Zealand's shsre, though not the quantum nf the investment.

Before the haaty meeting last week, Watson told *NBR* that Aerospace was not in any immediate finsncial danger.

"A philosophy has been put to the private sector that they might wish to take a greater shsre in the company than they are at present," he said.

Aerospace did need more equity capital, particularly for the Cresco development, he said.

But the decision to reorganise the capital structure of the company had yet to be taken. "We would like to have things sorted out within two months or so," Watson said.

Wool Board plays Ace against conference pack

Continued from Page 1

deal with the cartel to the effect that if freight rates were held at the exiting levels, the Wool Board would use its authority to stop Ace entering the trade?

Similar action against shipping lines operating across the North Atlantic last year resulted in the imposition of fines totalling $6.1 million, much to the annoyance of European governments.

Civil suits for many times that amount are now being considered by American importers and exporters to recoup overpaid rates.

The Federal Maritime Commission frowns on rate agreements that restrict competition but allows those that are open-ended, free for any ship-owner to join.

As Ace was complaining about being barred by the Wool Board, Refrigerated Express Lines was making similar complaints about being frozen out by the Australian Meat and Livestock Commission from the Australia-United States meat trade.

- Was the freight-cutting war carried on by the cartel, which contributed towards Ace's withdrswal from New Zealand, "predatory pricing"? Significantly, rates across the Pacific to the west coast of North America are now among the highest in the world.

Between May 1977 and February 1978, Ace Lines carried New Zealand wool to the United States for rates 10 per cent less than the cartel. This amounted to about 36 per cent of the total New Zealand bales shipped to the American west coast.

Conference rates went up by 14 per cent to the east coast and 15 per cent to the west coast on November 29, 1977. But further rate negotiations in February 1978 produced a zero increase.

Ace's presence in the trade had forced the cartel to forego its proposed rate increases.

In a circular giving effect to that decision, the Wool Board announced it proposed to invoke the powers of the Wool Industry Act 1977 confining shipments to the Conference Lines (Colombus, Farrell, Pace, Blue Star and Crusader).

Thus after using Ace to hold cartel rates down, the Wool Board barred it from the trade.

Supporting Ace were the independent wool companies (among them, New Zealand-owned companies not in the foreign-dominsted wool club of the Wool Board, Dalgetys and so on).

Ace's withdrawal from the trade hurt manufacturers who had been getting cheaper freight rates from the line.

The Seaman's Union strike against Ace aroused suspicions of further collusion. The Seaman's Union struck because they said Ace was a cross trader not using New Zealand crews. That was true, but many other cross-traders serve New Zealand without inviting strike action. There is a suspicion that the union struck because a cartel member and union employer, the Shipping Corporation, told them to get rid of the non-conference carrier.

Labour moves ahead again in the polls

LABOUR is back ahead again the Heylen-*National Business Review* monthly poll shows.

The latest poll, taken on July 5, showed Labour ahead of National by 41.7 per cent to 40.9 per cent. Social Credit was at its lowest point since before the 1978 election — 16.0 per cent, 7.5 per cent below the 23.5 per cent post-election peak in October, last year.

In broad trend terms, the latest results lend support to suggestions that National has been gaining ground since bottoming out in the last three months of 1979, Labour is about steady and Social Credit falling slightly.

It remains to be seen whether the Social Credit conference at the end of August can give the same sort of fillip to its fortunes that it did in 1978 and 1979.

Among politicians, Robert Muldoon continues to be the clear preference as Prime Minister, with 36.1 per cent support.

Opposition leader Bill Rowling checks in second again with 15.9 per cent, after having been displaced by deputy David Lange in June. Lange recorded 13.1 per cent in July.

Social Credit's Bruce Beetham hit a post-election low of 8.7 per cent, down from the 10 to 12 per cent ratings he hss had over the past few months.

Ominously for the Government, people's perceptions of the economic outlook sharply declined — only 12 per cent expecting the economy to be better in 12 months time, compared with 15 to 17 per cent over the preceding few months, and 56 per cent expecting it to get worse.

Among respondents' perceptions of the country's most urgent problems, inflation (30 per cent) continued to slip back slowly from its 48 per cent April peak, while balance of payments concerns continued to rise — up from 8 per cent in March to 14 per cent on July 5.

Editorial

WITHIN just a day of conceding that its investment of taxpayers' money in Bahrain had gone sour, the Government bounced back to commit even greater sums of public money to big business. One of the investments was a direct one, aimed at reshaping the textile industry around the beleaguered Mosgiel company. The second — and likely to be much more controversial — was an investment in the form of subsidised electricity in a second aluminium smelter, probably to be built in Otago.

Job opportunities must have been high in the Government's considerations as it pondered on the merits of the two schemes. Both offer much-needed economic stimulus to a South Island in which talk of a federal political system — even independence — is a symptom of a growing concern, if not despair.

The textile industry restructuring will not preserve all the jobs at the Mosgiel company (at least 500 are bound to find themselves deemed redundant). But the political repercussions should be significantly lessened by the news that the new smelter will need a workforce of 1000 or so, both at the construction and operational stages. (Whether those who now knit jerseys have the skills and inclination to turn to knocking up smelters is a moot point, of course, and they will have to sit in the dole queues for a year or so while environmental and other planning problems are sorted out). Further opportunities will be offered — eventually — by the downstream projects that have been assured.

Nevertheless, the fate of the public's investment in the BANZ project gives cause for disquiet, if not downright scepticism, about the Government's business expertise. Prime Minister Rob Muldoon announced last week that the sale of New Zealand's share in the Bahrain-New Zealand Trading and Storage Company was being negotiated. BANZ had been formed in November 1977 at the instigation of the Bahrain and New Zealand Governments. The Bahrain Government quickly offloaded its 51 per cent commitment to private Bahraini interests. But the New Zealand Government — despite assurances it intended to do so — never did make a concerted effort to place its shareholding in private hands.

The joint venture (significantly scaled down from a $20 million project by the time of the first board meeting) was mooted during a trading boom in the region when shipping was congested. It was set up to build a free port facility in Bahrain, a centre (officially opened last October) intended as a staging post for New Zealand and other countries' produce to customers around the Gulf. Prospects were particularly geared to the anticipated development of a causeway between Bahrain and Saudi Arabia. But chances of a causeway with Saudi Arabia are receding. The company has faced a cashflow problem because of limited use, and Bahrain authorities restricted the type of goods that could pass over the wharves. Ports have mushroomed elsewhere in the Gulf and shipping services improved greatly.

Above all, the taxpayers' investment should long ago have been passed into private hands. Early in 1978, Arabco announced it would be taking up $200,000 in shares in BANZ and the Meat and Dairy Boards expressed interest. But the holding company which Deputy Prime Minister Brian Talboys said in 1977 would be set up to distribute the Government's shares (which have always been held by the Export-Import Corporation) never emerged. BANZ vice chairman Bill Revell said in May last year, that interest among major New Zealand organisations in taking shareholdings was increasing rapidly. Still, the shares remained with the state. In May this year, Muldoon said the Government wanted to off-load its shareholding to the public. By then, the project's obvious failure ensured there were no takers. And now, New Zealand is opting out of a venture which was planned with little consultation with business interests; it was always a pet project of the Prime Ministers Department which is said to have ignored Ministry of Foreign Affairs and Trade and Industry Department advice against it.

In contrast, the companies and unions concerned with the textile industry's restructuring have been deeply involved for several weeks with efforts to resuscitate the Mosgiel company. The outcome, last Wednesday, was that the Government would plough $4 million into helping a reconstructed Alliance Textiles to merge its assets with Mosgiel Ltd and to implement a rationalisation plan. Funding will also be provided by the Bank of New Zealand, the Wool Board, and finance houses in a plan which involves Feltex NZ Ltd, the Goodman Group subsidiary Bond, Prestige Holeproof, and Lane Walker Rudkin.

Some Government involvement in the Mosgiel rescue had seemed inevitable. But the announcement that the Fletchers-Australian CSR-Alusuisse consortium was the successful negotiator for the country's second smelter project came as a surprise — at least to Parliamentary journalists. At 3pm on Wednesday, Energy Minister Bill Birch told them there was no sign of an agreement and that it would be "foolish to suggest anything is in the wind at this time". At 4.30pm, just before meeting Fletcher officials, he said it was just another in a continuing series of negotiations on the power price. And even if agreement was reached on the power price, the Government was still negotiating with another company, the Reynolds organisation, he said to emphasise just how far the Government was from a final decision. From 4.30 to 5.45pm, things obviously moved quickly.

The $650 million project is expected to generate gross export earnings of more than $400 million a year when fully operational by about 1990 — at least, according to a statement produced later by Trade and Industry Minister Lance Adams-Schneider and Birch. It will involve a smelter producing 200,000 tonnes a year and a continuous sheet casting plant. When fully operating, it will be allocated 3000 gigawatts a year of electricity. Birch said the employment opportunities would be "very significant". The Government was looking at a construction force for the project of around 1200 people and direct employment for about 1000 at the smelter itself.

But by then his credibility had sunk to zero. If ministers can't be forthright about indicating when major decisions are about to be taken, we have no cause to believe them when they say that the price the Government has negotiated for the power for a project (about 1.5c a unit) "ensures a satisfactory return to the nation". Public confidence in the Government's dealings are already undermined to the extent that crucial details are kept secret; it must be severely shaken when what information is given is shown to be blatantly false.

Bob Edlin

Without word of a lie

Published data exempt from Act

NBR's Auckland reporter, Arizonan Warren Berryman, is worried that he might find himself accused of divided loyalties and of treason to his adopted homeland.

His research has uncovered a wealth of detail on the shipping conferences serving New Zealand and the efforts of non-conference newcomers to gain a share of the country's export cargoes.

And his data has been used by at least one non-conference line to support its case to the United States Federal Maritime Commission.

Now Berryman is worried. Should his sleuthing reveal more hidden detail of use to the American anti-trust investigators, will he find himself in breach of the Government's recently passed Evidence Amendment Act No 2?

Individuals, companies and organisations can apply to Justice Minister Jim McLay for certificates of exemption should American investigators seek information from these shores.

But Berryman needn't bother to apply.

"Once an article is published it is available to everyone, and would not come within the strict criteria laid down in the act," McLay said.

Who will get the first hotel grant?

THE Governments Budget measures to stimulate hotel building in Auckland has some hotel interests wondering if they are not just another example of Muldoonian statist accounting.

The Budget statement was fairly straightforward. It said a Government grant of 9.5 per cent of approved construction costs would be payable to the hotel owner in the first year of use.

The outright grant of 9.5 per cent is a far sweeter incentive than the former 22 per cent depreciation allowance for approved tourist accommodation — for a start, the hotel must be making a profit to take advantage of a depreciation allowance and the first years of a hotel's existence are usually lean ones.

The question being asked is: Who is going to get the first Government grant?

The Budget mentions "selected" hotel projects. It is understood the successful applicant would have to put up an international class hotel of at least 200 rooms.

And who will have the first such hotel in Auckland? Government Life, with its $13.5 million Airport Oakes Hotel. If this hotel gets the grant, 9.5 per cent of the $9 million approved construction costs would come to $0.86 million. The money would go out of one Governmental pocket into another Governmental pocket.

But the Budget left the final details to be announced by Tourism Minister Warren Cooper.

It is unlikely that free-enterprise champion Cooper would favour a Government handout to Government. Nor would it make much sense to give incentive to build to a body already committed to building a hotel and presently working on the site.

Still, there has to be a cut-off line somewhere. The obvious candidate for the 9.5 per cent would be the AMP Society, which has been turning hot and cold for years on the prospect of building a hotel on the Great Northern site in downtown Auckland. The AMP previously gave up the hotel idea as too expensive, but is reassessing the project in light of the new incentive.

Giving AMP the 9.5 per cent and barring Government Life could be construed as rewarding AMP for dithering and penalising Government Life for doing the desirable before Government produced the carrot.

Then there is the Devon — DFC proposal to build a new hotel in Auckland's Symonds Street. If this project gets the 9.5 per cent, it is Government money into Government pockets again.

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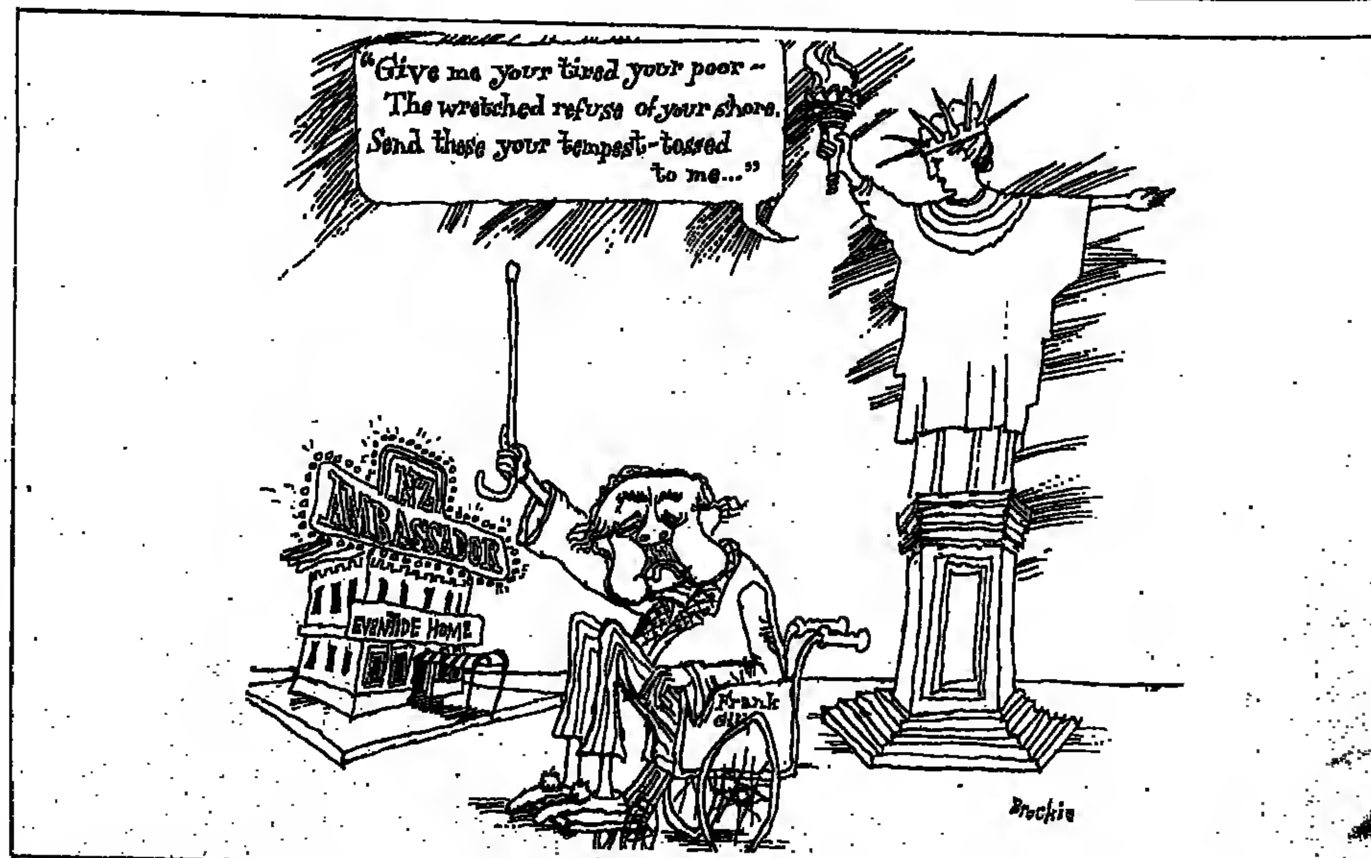

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This, I believe, graphically measures the level of confidence which is apparent in the farming industry today.

Reviewing the last two years, I believe the Government has established a growing confidence in the agricultural sector with a succession of positive policy moves.

The supplementary minimum price scheme over meat wool and dairy production has enabled farmers to budget with surety. Livestock incentive schemes and land development encouragement loans go hand in hand with increased stock population, dairy beef guarantee schemes have assured farmers of rearing costs, and devaluation with floating currency adjustment have helped in offsetting the fight against rising farm costs.

The significance of establishing the level of confidence in agriculture which is demonstrated in this analysis throughout a period of world economic disorder is of great significance.

Currently and into the future more than 70 per cent of our export income is expected to be derived from primary industry.

Considerable expansion is evident in the manufacturing and export sectors of the economy, but unless growth and confidence is sustained in agricultural exports, we have little chance in achieving the social and employment goals we see as desirable.

With our export dependence at more than 70 per cent on agricultural products, the level of confidence and expansion achieved must now be sustained.

The values of agricultural export returns to New Zealand are predicted to decline against 1978-79 from 24 per cent in money terms to 15 per cent increase this year.

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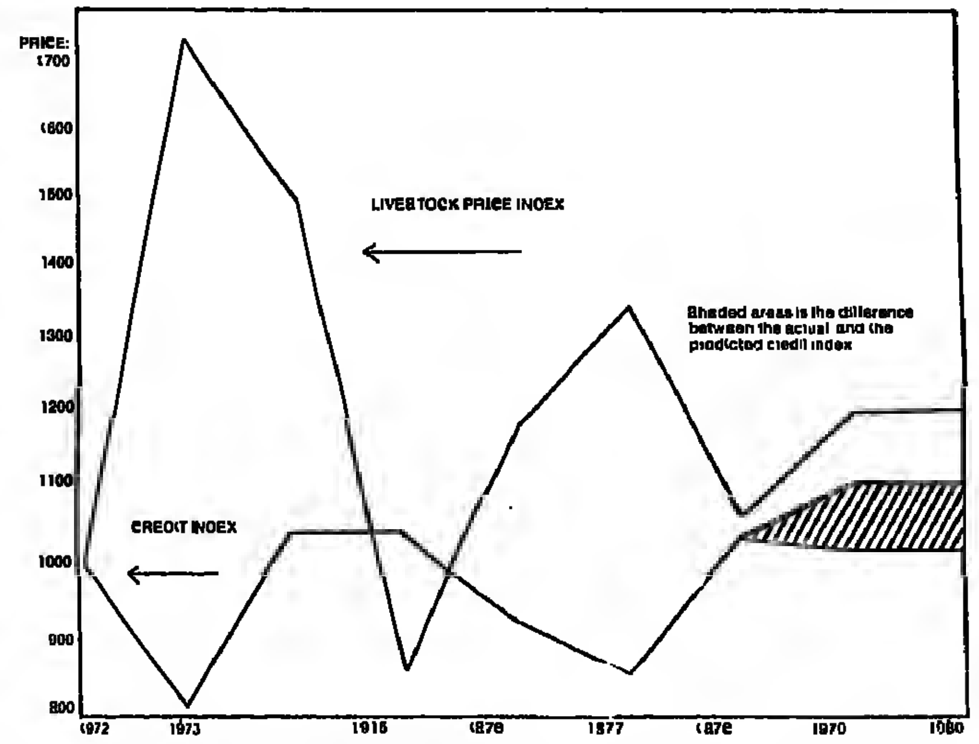
The confidence graphically illustrated in the graph has been calculated to represent $115 million additional investment in the current year (in a total of $799 million), based on farmers' confidence in their own future.

It is a confidence we must not only share but support for the good of the total economy.

Investment options, of which farmer medium-term lending is but one significant portion, will be of greater significance to the success of the country's economy in this decade and the future than any other political decisions taken.

Bruce Townshend is National MP for Kaimai



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But it seems that a long-time ambition to get back into newspapers in New Zealand is about to be realised with a weekly to be produced in Wellington. Recently retired INL general manager Jim Carney is also said to be involved in the scheme.

Status symbols at Tarawa

OUR thanks to Australia's *National Times* for the following observation on the South Pacific Forum talks in Kiribati.

"As a footnote to the Tarawa meeting of the forum, there may be some significance in the fact that Fraser arrived at the Assembly Hall in a Range Rover, Prime Minister Muldoon of New Zealand in a Jeep, and the Prime Minister of Tonga in a London taxi."

Editorial

WITHIN just a day of conceding that its investment of taxpayers' money in Bahrain had gone sour, the Government bounced back to commit even greater sums of public money to big business. One of the investments was a direct one, aimed at reshaping the textile industry around the beleaguered Mosgiel company. The second — and likely to be much more controversial — was an investment in the form of subsidised electricity in a second aluminium smelter, probably to be built in Otago.

Job opportunities must have been high in the Government's considerations as it pondered on the merits of the two schemes. Both offer much-needed economic stimulus to a South Island in which talk of a federal political system — even independence — is a symptom of a growing concern, if not despair.

The textile industry restructuring will not preserve all the jobs at the Mosgiel company (at least 500 are bound to find themselves deemed redundant). But the political repercussions should be significantly lessened by the news that the new smelter will need a workforce of 1000 or so, both at the construction and operational stages. (Whether those who now knit jerseys have the skills and inclination to turn to knocking up smelters is a moot point, of course, and they will have to sit in the dole queues for a year or so while environmental and other planning problems are sorted out). Further opportunities will be offered — eventually — by the downstream projects that have been assured.

Nevertheless, the fate of the public's investment in the BANZ project gives cause for disquiet, if not downright scepticism, about the Government's business expertise. Prime Minister Rob Muldoon announced last week that the sale of New Zealand's share in the Bahrain-New Zealand Trading and Storage Company was being negotiated. BANZ had been formed in November 1977 at the instigation of the Bahrain and New Zealand Governments. The Bahrain Government quickly offloaded its 51 per cent commitment to private Bahraini interests. But the New Zealand Government — despite assurances it intended to do so — never did make a concerted effort to place its shareholding in private hands.

The joint venture (significantly scaled down from a $20 million project by the time of the first board meeting) was mooted during a trading boom in the region when shipping was congested. It was set up to build a free port facility in Bahrain, a centre (officially opened last October) intended as a staging post for New Zealand and other countries' produce to customers around the Gulf. Prospects were particularly geared to the anticipated development of a causeway between Bahrain and Saudi Arabia. But chances of a causeway with Saudi Arabia are receding. The company has faced a cash-flow problem because of limited use, and Bahrain authorities restricted the type of goods that could pass over the wharves. Ports have mushroomed elsewhere in the Gulf and shipping services improved greatly.

Above all, the taxpayers' investment should long ago have been passed into private hands. Early in 1978, Arabco announced it would be taking up $200,000 in shares in BANZ and the Meat and Dairy Boards expressed interest. But the holding company which Deputy Prime Minister Brian Talboys said in 1977 would be set up to distribute the Government's shares (which have always been held by the Export-Import Corporation) never emerged. BANZ vice chairman Bill Revell said in May last year, that interest among major New Zealand organisation in taking shareholdings was increasing rapidly. Still, the shares remained with the state. In May this year, Muldoon said the Government wanted to off-load its shareholding to the public. By then, the project's obvious failure ensured there were no takers. And now, New Zealand is opting out of a venture which was planned with little consultation with business interests; it was always a pet project of the Prime Ministers Department which is said to have ignored Ministry of Foreign Affairs and Trade and Industry Department advice against it.

In contrast, the companies and unions concerned with the textile industry's restructuring have been deeply involved for several weeks with efforts to resuscitate the Mosgiel company. The outcome, last Wednesday, was that the Government would plough $4 million into helping a reconstructed Alliance Textiles to merge its assets with Mosgiel Ltd and to implement a rationalisation plan. Funding will also be provided by the Bank of New Zealand, the Wool Board, and finance houses in a plan which involves Feltex NZ Ltd, the Goodman Group subsidiary Bond, Prestige Holeproof, and Lane Walker Rudkin.

Some Government involvement in the Mosgiel rescue had seemed inevitable. But the announcement that the Fletchers-Australian CSR-Alusuisse consortium was the successful negotiator for the country's second smelter project came as a surprise — at least to Parliamentary journalists. At 3pm on Wednesday, Energy Minister Bill Birch told them there was no sign of an agreement and that it would be "foolish to suggest anything is in the wind at this time". At 4.30pm, just before meeting Fletcher officials, he said it was just another in a continuing series of negotiations on the power price. And even if agreement was reached on the power price, the Government was still negotiating with another company, the Reynolds organisation, he said to emphasise just how far the Government was from a final decision. From 4.30 to 5.45pm, things obviously moved quickly.

The $650 million project is expected to generate gross export earnings of more than $400 million a year when fully operational by about 1900 — at least, according to a statement produced later by Trade and Industry Minister Lance Adams-Schneider and Birch. It will involve a smelter producing 200,000 tonnes a year and a continuous sheet casting plant. When fully operating, it will be allocated 3000 gigawatts a year of electricity. Birch said the employment opportunities would be "very significant". The Government was looking at a construction force for the project of around 1200 people and direct employment for about 1000 at the smelter itself.

But by then his credibility had sunk to zero. If ministers can't be forthright about indicating when major decisions are about to be taken, we have no cause to believe that when they say that the price the Government has negotiated for the power for a project (about 1.5c a unit) "ensures a satisfactory return to the nation". Public confidence in the Government's dealings are already undermined to the extent that crucial details are kept secret; it must be severely shaken when what information is given is shown to be blatantly false.

Bob Edlin

Without word of a lie

Published data exempt from Act

NBR's Auckland reporter, Arizonan Warren Berryman, is worried that he might find himself accused of divided loyalties and of treason to his adopted homeland.

His research has uncovered a wealth of detail on the shipping conferences serving New Zealand and the efforts of non-conference newcomers to gain a share of the country's export cargoes.

And his data has been used by at least one non-conference line to support its case to the United States Federal Maritime Commission.

Now Berryman is worried. Should his sleuthing reveal more hidden detail of use to the American anti-trust investigators, will he find himself in breach of the Government's recently passed Evidence Amendment Act No 2?

Individuals, companies and organisations can apply to Justice Minister Jim McLay for certificates of exemption should American investigators seek information from these shores.

But Berryman needn't bother to apply.

"Once an article is published it is available to everyone, and would not come within the strict criteria laid down in the act," McLay said.

Who will get the first hotel grant?

THE Governments Budget measures to stimulate hotel building in Auckland has some hotel interests wondering if they are not just another example of Muldoonism statist accounting.

The Budget statement was fairly straightforward. It said a Government grant of 9.5 per cent of approved construction costs would be payable to the hotel owner in the first year of use.

The outright grant of 9.5 per cent is a far sweeter incentive than the former 22 per cent depreciation allowance for approved tourist accommodation — for a start, the hotel must be making a profit to take advantage of a depreciation allowance and the first years of a hotel's existence are usually lean ones.

The question being asked is: Who is going to get the first Government grant?

The Budget mentions "selected" hotel projects. It is understood the successful applicant would have to put up an international class hotel of at least 200 rooms.

And who will have the first such hotel in Auckland? Government Life, with its $13.5 million Airport Oakes Hotel. If this hotel gets the grant, 9.5 per cent of the $9 million approved construction costs would come to $0.86 million. The money would go out of one Governmental pocket into another Governmental pocket.

But the Budget left the final details to be announced by Tourism Minister Warren Cooper.

It is unlikely that free-enterprise champion Cooper would favour a Government handout to Government. Nor would it make much sense to give incentive to build to a body already committed to building a hotel and presently working on the site.

Still, there has to be a cut-off line somewhere. The obvious candidate for the 9.5 per cent would be the AMP Society, which has been turning hot and cold for years on the prospect of building a hotel on the Great Northern site in downtown Auckland. The AMP previously gave up the hotel idea as too expensive, but is reassessing the project in light of the new incentive.

Giving AMP the 9.5 per cent and barring Government Life could be construed as rewarding AMP for dithering and penalising Government Life for doing the desirable before Government produced the carrot.

Then there is the Devon — DFC proposal to build a new hotel in Auckland's Symonds Street. If this project gets the 9.5 per cent, it is Government money into Government pockets again.

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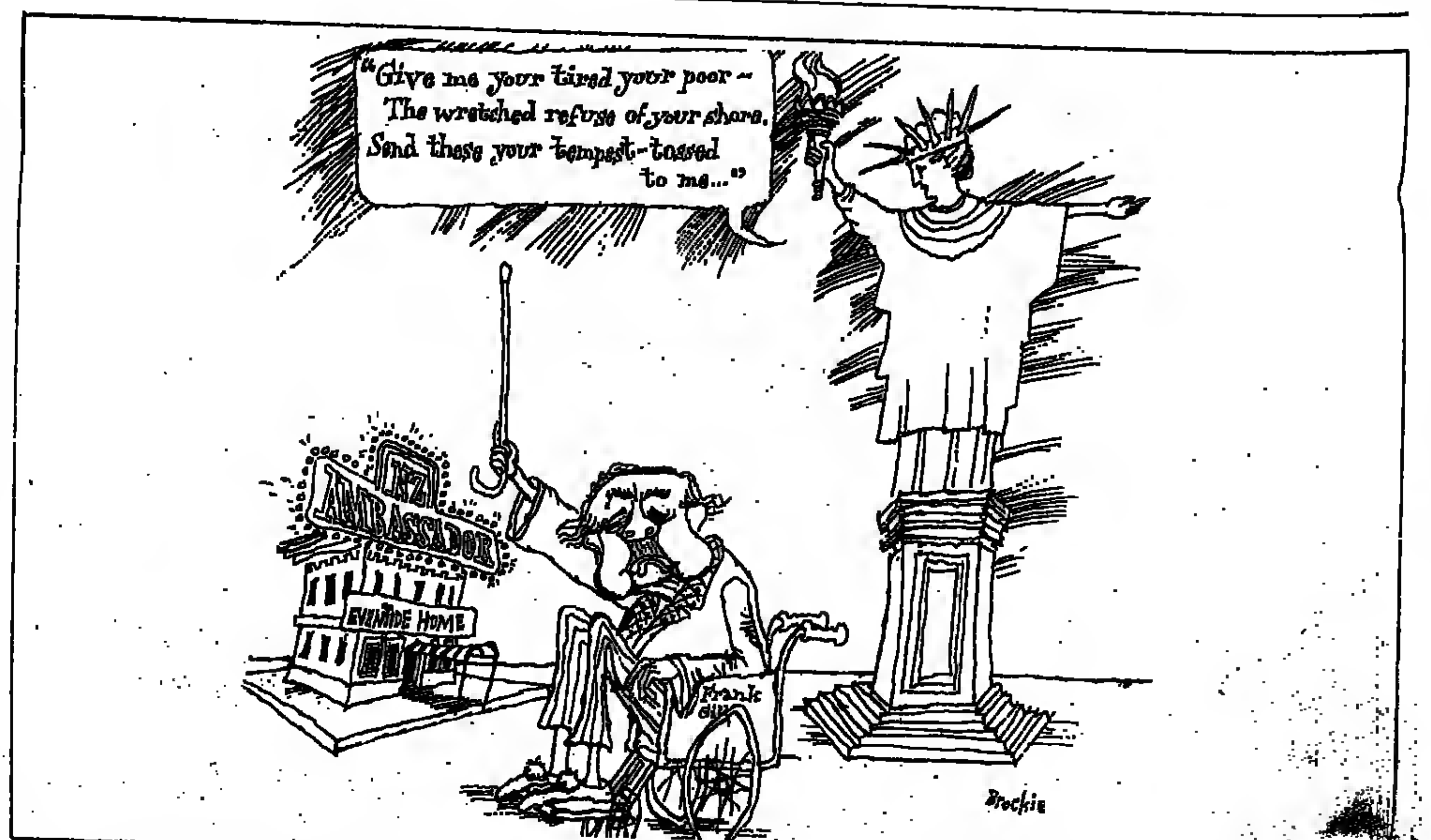

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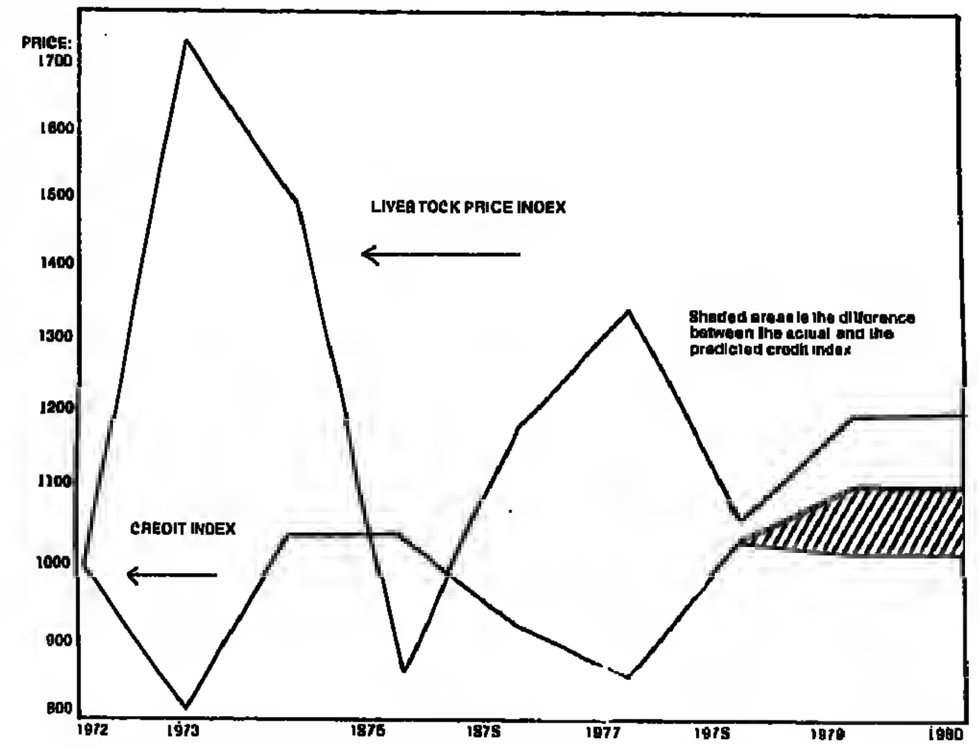

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Letters

PR gloss on Fitzgeralds

ACCUSTOMED though I am to the role of public relations consultants in glossing over cracks in tottering edifices and scars on ugly faces, I was astoniahed to read (*NBR* July 7) that Faye Torrance's letter on the Fitzgerald case said nothing could be less adequate or lesa honest as a atatement of the issues involved.

Io a society such as ours, there is always a hazard that the slide into corruption will be gentle and almost imperceptible. Bearing in mind all the features of the Fitzgerald affair — especially the withdrawal of Treasury watchdogs from public bodies — the public must be especially aware of that hazard at the present time.

Faye Torrance is indeed flying in the face of public opinion. She must expect a very wide public to deplore her folly and be aghaat at her laek of judgment.

– D Jukes
Auckland

Calculating the computer loss

AS one of the intelligent readera of *NBR* (as Michael Cox suggests we are) I contest the claims of his letter (*NBR* July 14) about computers and unemployment.

The Manawatu MP should know that most jobs are lost "naturally" rather than due to redundancies. That is when people resign, retire or die and are not replaced. To me, the 10 to 1 ratio between lost jobs and redundancies seems about right.

Mr Cox compares 77,000 jobs created with 24,000 redundancies. But most of the 77,000 jobs will have (effectively) been taken from people newly on the job market (eg school leavers) and not from the pool of unemployed. Hence the same ten to one ratio ahould be applied.

That would leave 7700 people leaving the unemployment pool and 24,000 entering it. The biggest problem remains the depressing employment prospects for school leavers.

Keith Rankin
Paekakariki

Mangere Bridge replacement

IN a country not renowned for its economic management or its ability to identify, let alone choose rationally among alternative courses of action, I suppose it is understandable that we are locked into the deciaion to build a new bridge or bridges in place of the old Mangere Bridge. The fact that the building of the new bridge has progressed disgracefully slowly serves to reflect badly on government, construction management and labour.

It also highlights the costs of an unsound and thus dangerous public facility according to the Ministry of Works and Development; any costs associated with providing a temporary alternative; extra travel time for overweight vehicles; traffic jams, and so on.

But it does more. It raises the question as to why a bridge is being built at all.

An alternative might be to build a causeway to span the upper Onehunga basin at the same site. It would not be as spectacular as the bridge and might not be such an engineering feat. It might also result in the death of a dream to have a canal to link the Waitemata and the Manukau harbours.

Conversely there may be some advantages. A causeway might cost less than the bridge or bridges. The upper harbour could be reclaimed entirely for industrial sub-division — yes, effluent pipes may be required to connect Westfield and Southdown freezing works to the Manukau proper but the Aucklaod Regional Authority would gain a large new area for refuse and land refill and the potential to earn revenues from new sub-divisions for many years to come. It would also help transform one of the ugliei bays around Auckland into something uaeful. To ehange now would involve the question of sunk costs.

My answer would be that like any useless assets they in themselves are worthless. The alternatives need to be looked at even now on the basis of future costs and benefits; the sunk costs can be put down to experience.

If the causeway were seen as a better alternative, perhaps the long suffering local community could be provided with some eheap entertainment and this monument to industrial chaos blown sky high.

The above suggestions may be too simplistic: or perhaps we simply enjoy the opportunity to have on our hands a semi-permanent industrial punch-up even if the result is a further decline in our sinking standard of living — and nobody traversing the Onehunga harbour.

Tim Saunders
Onehunga

Considering data costs

FURTHER to your news item (*NBR* July 7) concerning the promotion of the Lockheed Database by a Lower Hutt bookseller, I wish to point out that potential users should be prepared to pay much more than the quoted estimate of $30 per inquiry.

Special librarians who have done the Lockheed training courses and have the requisite skills to retrieve relevant information from databases feel that the cost would be more realistically double the estimate given.

Added to thia comment is the reminder that only bibliographieal references, or at the most abstracts of the information, are available from the database. The actual information will have to be supplied either by the local public library, probably via the national interloan system, or from an information broker in the United States at further significant expense.

Librarians must accept responsibility for their lack of public image in the information field, but local prospective users of Mr Schnellenberg's service should approach the SATIS librarian at Wellington Public Library, or else the librarians of special libraries in the Wellington region (whose names and locations can be supplied by the Public Library) with their specific information needs before they commit themselves to what could be an unnecessary and expensive solution to their information requirements.

Finally, overseas databases are not miracle workers. The output is only as good as the input, coupled with the analytical skill of the searcher. Overseas databases are a useful adjunct in the search for information, but they are only a part of the total information resource, and inquirers should remember the vast traditional sources that are available to them through libraries, at no extra cost, other than their rates. Only after these avenues have been exhausted does the overseas database become an economical proposition to the overage inquirer.

The greatest advantage the the new technology could bring to most people is the compilation of a New Zealand database. Interested readers of the newspaper might like to lobby their local politician on the point.

Marjorie Warwick
Chairman
Special Libraries Section
New Zealand Library Association

Politics

Moment to act slips by; and 'freedom' to be moral

by Colin James

THERE are moments when history is made and moments when it ean be made. The genius of the great politieians is to sense such moments and seize the opportunities they offer.

It is too early yet to tell for sure, but one of those moments may have occurred on July 15. If so, it caught the politicians looking the other way.

Now, having missed the wave crest, they must splash their way through the eddy currents to murky compromise.

On July 15 a package for a new wage-fixing system — agreed on by employers and union representatives on a working party — went to the Government.

The package went to the roots of the trouble in the present system — the rigid relativities, the problem of the low-paid, the anomalistic craft-based union and award structure.

It proposed radieal solutions — new union and award groupings, "vertieal" relativities within industries instead of within crafts across industries, a formal cost-of-living compensation system, a basic living wage.

Agreement across the industrial fence at this level is rare enough on anything, let alone on a bold new wage-fixing framework, a pot of gold successive governments would dearly have loved to get their hands on.

Both sides believed it was an extraordinary, not-to-be-repeated opportunity, made possible only because a small group, working away from the public gaze, was prepared to take a leap into the unknown.

Both sides took considerable internal political risks that their membership might repudiate their initiative. Neither had a brief to do what they did and it is unlikely they would have got one. Consultation was very limited.

So Jim Rowe of the employers and Jim Buomer and Ken Douglas on the other side risked a lot of their internal political credibility by putting their name to the package.

As it turned out, both were able to sell it to their wider memberships, in the Federation of Labour's case to a meeting of advocates on July 16 which scepties expected would not have a bar of it.

So the ball was bouncing, waiting for the Government to pick it up and run with it.

Well, had the Government been William Webb Ellis, we would have been spared the ignominy of the All Blacks Australian defeat — rugby would not have been invented.

The leaders of the party that reveres entrepreneurial risk-taking backed away from the political risks.

Public servants took fright at the unresolved detail. So did ministers.

With the Prime Minister out of the country — was our South Pacific standing worth more than the chance to fix our wage system? — those that were left on July 15, the deadline the Prime Minister had set two months earlier, had neither the elan, nor the skill, nor the authority to take the invitation.

Then the Prime Minister from afar let his mouth run away with him. Upset Jim Knox. Killed the package stone dead in the FOL national council. In other words, kicked the ball away.

Last Monday, insiders say, the Prime Minister gave all the appearance of being eager to get the ball baek into play. During the tripartite talks that day he seemed keen to resurrect the package.

But by then the chanee had been missed to announce agreement in principle and get the rank and file industrial approval for an entire package that both union and employer representatives believe will be very difficult and probably impossible to obtain piecemeal.

Discussions reverted to a four-point FOL proposal centred on regular cost-of-living adjustments, a continuation in the meantime of the existing award system and talks — stretching who knows how far into the future — on a new system.

The practitioners of the art fear that we are heading toward another of the cobbled-together patch-ups that have bedevilled New Zealand industrial relations for 10 years or more.

In the meantime the union movement may well turn to industrial methods of changing the wage system.

It is tempting to speculate that the Government (or perhaps the prime ministerial bit of it) never really wanted an agreement; wanted instead a formula under which it could pretend the FOL had scuttled the talks and so set matters up to make capital for election year.

I do not propose to succumb to that temptation. I want to believe that the Government really does want a better wage-fixing system for the good of the country.

After all, agreement for the sake of agreement is not enough if the disbenefits turn out to be too great. Leaps of the imagination are the better for having some idea of where the feet are going to come down to earth.

So, let us — our imagination dulled by Muldoonian caution, our feet again heavy with the elay of New Zealand mediocrity — be generous and leave Machiavelli out of the wage-fixing issue.

However, there is an issue in which that prince of political black comedy does seem to be involved: the shop trading hours affair.

Much as that is at root an expression of the party's commercial freedom philosophy, one should not ignore the bonus ministers and MPs think they are getting: a tactical victory over their favourite union *bete noire*, Rob Campbell of the Shop Employees Union.

Campbell occupies an elevated place in the Government's panoply of satanic underminers of the free economy and it now thinks it has him in a corner from which he escapes only with lost face by backing down or a tanned hide from a public that wants weekend shopping.

I personally think there is something in that. Ignoring the social issues — unsocial shifts, loss of weekends for shopworkers, enhancement of the trend toward big chains, pressure on the small traders of the sort who in my neighbourhood give excellent service — I think there is a commanding public preference for Saturday shopping.

There are few free enterprises moves for which the Government could more assuredly count on public support (except, perhaps, delicensing the liquor industry).

What was that I just said there in parentheses? Delicense booze? Never, surely.

But pretty near never.

Booze, you see, is morals. And free morals and a free economy do not seem to go together.

As Governments in the European world have more willingly interfered in their economies they have progressively taken their hands off moral matters.

More liberal censorship, more liberal attitudes to homosexuality, more tolerance of abortion, illegitimacy, marriage breakups and so on — that has been a common trend.

Some liberal souls in the National Party believe the trend should be the same way in economic and moral affairs — towards greater freedom.

But will it happen that way?

A test may be coming up.

The Government plans to introduce legislation soon to delicense the films industry.

This is, of course, one way of making Arts Minister Allan Higher's drive-in dream come true, since it would mean the demise of the Film Trade Board which has repeatedly slapped him down on the grounds that it would harm established cinemas — and which now opposes delicensing.

It is also in line with party philosophy. Freedom equals competition equals better service to the public.

Critics within the industry say freedom will mean possible intrusion by American multinationals, pressure from big chains and fly-by-nighters on small operators, partieularly in smaller centres, and eventually worse serviee to the public. Take your pick.

On pure eeonomies, the argument is as good as cut and dried from the Government's standpoint. The caucus wants sacrifieial lambs to delicense and this lamb bleats as well as any.

But it is not a matter of economies only. The Film Censor will carry right on snipping, thus, the Government believes, adequately controlling film content. (Indeed, I understand, eensorship powers will be slightly extended).

This belief, however, neglects a simple but oft-recurring equation: the greater the freedom, the greater the difficulty of exerting control. Why do you think the Government keeps the electronic media licensed or state-owned?

Might not also a free cinema exhibition industry — with or without an active censor — show all sorts of things the Dail Jones's of this world would rather were not shown, in all sorts of makeshift, movable, movie-houses.

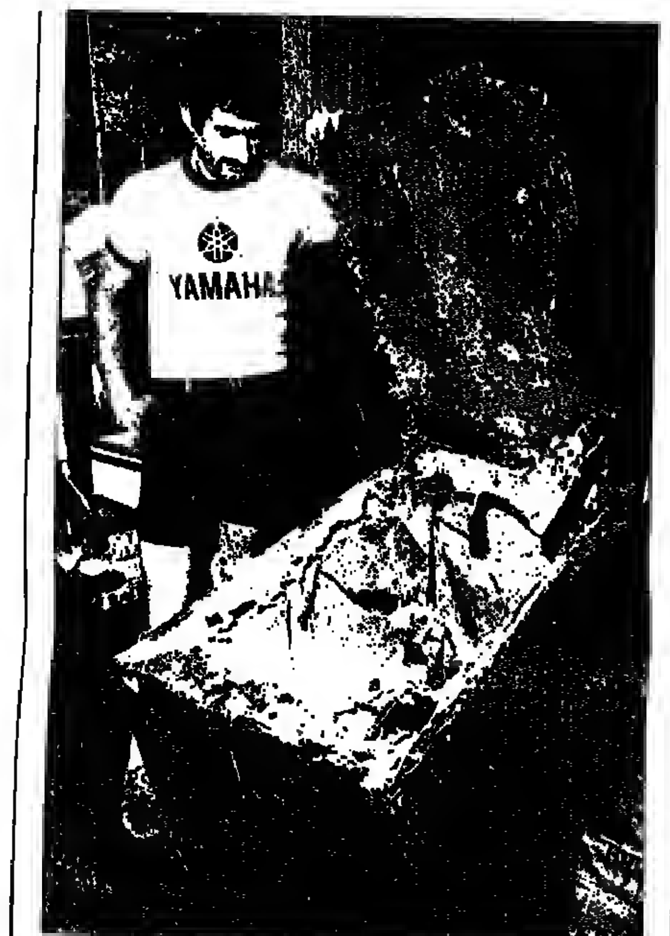
Jones, I understand, is on the caucus committee in charge of the delicensing.

Whereas his superiors, too used to fearing the backwash, did not catch their wage wave, Jones and his mates are catching the crest of the freedom wave.

The question is: if that wave breaks, will Jones, the moral conservative, find himself swept back out to sea — back once more toward the less turbulent, less exhilerating, but more predictable waters of licensing control? Wait and see.

The average thief's guide to breaking the average safe

70 percent of the safes used in New Zealand are obsolete.
Which is good news for criminals, who made $68 million last year.
And bad news for thousands of businessmen who rely
on yesterday's protection in today's world.

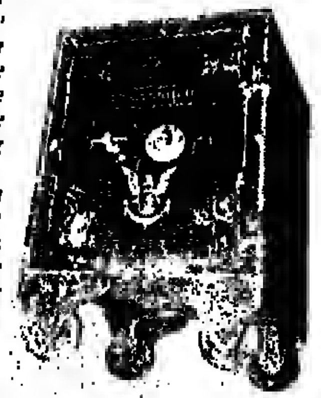


New Plymouth pick axe attack. (Photo courtesy of Taranaki Newspapers Limited.)

Brute force cracks the safes in about half of the safe breaking crimes reported each year. With many old safes, especially those built before 1950, all a criminal needs is plenty of muscle and an axe or pick. Then he can smash his way into the weakest part of the safe.

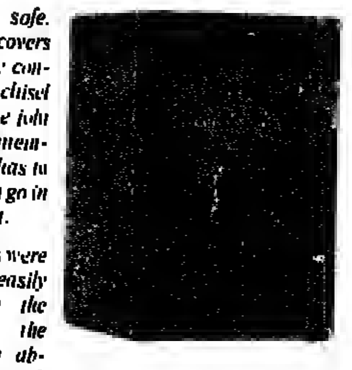
Very handy for moving from office to office. Very handy for wheeling out to the back of a truck some dark night too. Once a criminal has removed a safe from the premises he has all the time he needs to crack it, making as much noise as he likes.

Your safe doesn't have to have wheels to be moveable. If it weighs less than 750 kg it's easily moveable and vulnerable and should be bolted to the floor or the wall.

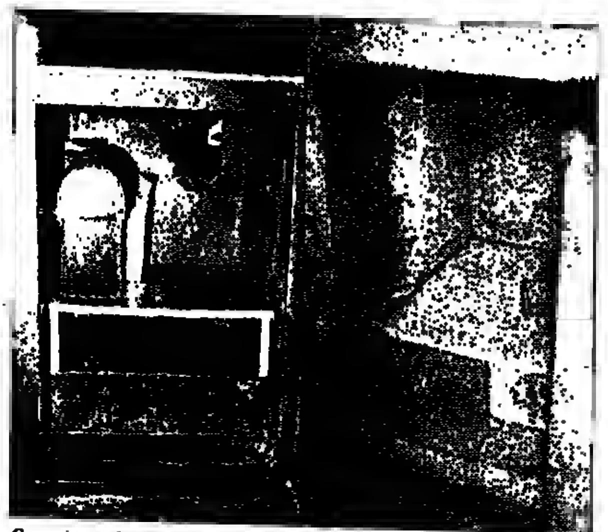


This press photograph shows how easily criminals can split riveted seams

A solid enough looking safe. Until a criminal discovers the joins in the safe's body construction. Then a wedge or chisel can be enough to break the join in the body of the safe. Remember too, that the hole only has to be big enough for a hand to go in and valuables to come out.



Unbelievably, some safes were made with exposed or easily located rivets and with the equipment available to the modern criminal, are an obvious, easily attacked, weak point.



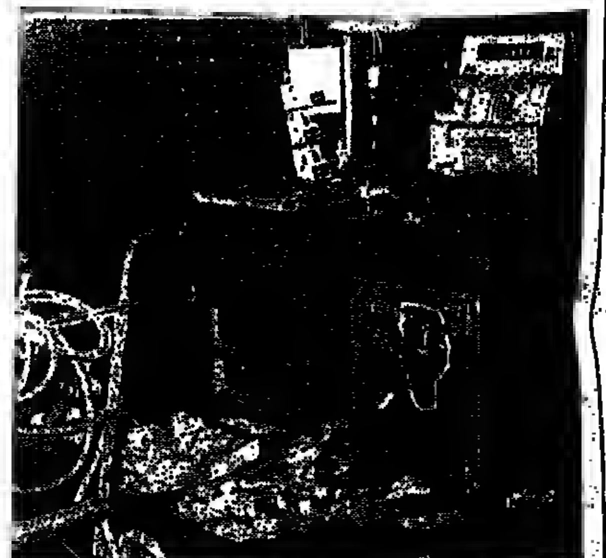
Over time, inferior barrier materials make the thief's work easy. (left — an axe attack, right — simply corrosion).

It's what goes on between the steel that counts. Many strange old safes have some fairly strange old materials between the two steel plates of a wall. For instance, a mixture of sawdust and alum was often used, which after time crumbled or compacted, leaving nothing but air between the walls. A criminal can cut the outer wall, remove the weak barrier material, then set about attacking the weaker inside wall. To make matters worse, older barrier materials, like sawdust and alum, can eventually erode the outer walls — doing the thief's work for him.

Explosives have their say.

Impossible for the amateur criminal, but fairly easy pickings for the professional with the right equipment.

Safe breakers often attack the door first, and no wonder. If they crack that they have easy access to everything inside. Most older safe doors are only secured on two sides, making them much more vulnerable to an explosive attack.



Oxy-acetylene burns out a lock (Photograph courtesy of Christchurch Star.)

A second weak point in the door is often the lock itself — defeating the lock opens the door. A modern Chubb safe has a very sophisticated re-locking device in the lock mechanism, that is automatically activated when the door is tampered with, ensuring the door stays locked, no matter what. There is simply no point in attacking a modern Chubb safe lock.

The average businessman's guide to Chubb peace of mind

Here is a choice of Chubb safes for businessmen of all kinds.
This is just part of the Chubb range.
They are all built to put the odds on your side - not the criminal's.
They incorporate the latest in Chubb development worldwide.
Not just to make it virtually impossible for a criminal to break - but also
to make it uneconomical and unworthwhile to even try.

Most safes look safe. Yet an estimated 70 percent are obsolete against the equipment available to a modern criminal.

The simple fact is that most are out-of-date. Or were designed to carry substantially less money and valuables than they are now carrying.

For example, in Christchurch recently $11,000 was stolen simply by axing in the rear plate of an old safe.

These Chubb safes give a businessman protection and peace of mind.

They are built to be at least one step ahead of the most professional and well equipped criminal and way, way ahead of the amateur.

They represent the results of $8 million worth of research carried out by Chubb each year to ensure Chubb safes can incorporate materials and techniques to counter even the most modern safe cracking techniques. They incorporate the Chubb features and Chubb standards of manufacture that have made Chubb the world leaders in security.

There are Chubb safes to safeguard the smallest cash risk or the largest.

Chubb Office Safe

Ideal for safe custody of valuable documents and a very low cash holding.

The 75mm thick body contains a solid core of barrier materials encased in steel walls.

The 89mm thick door has a special hardened steel plate protecting the locking mechanism.

It is secured by three heavy 25mm diameter steel bolts together with a full length steel bar which locks in place when the door is closed.

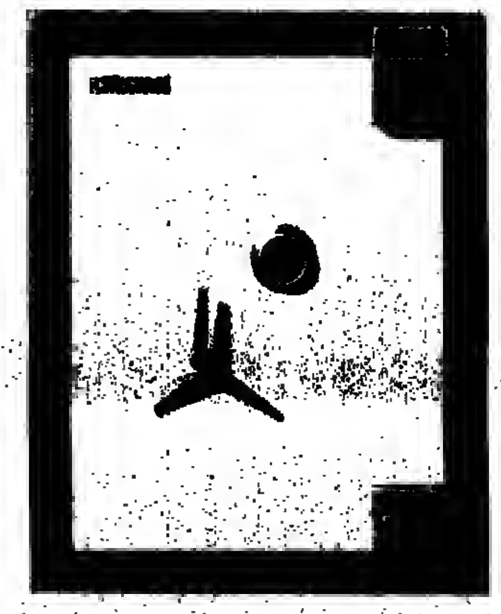
The locking mechanism is designed to automatically ensure that the locking bolts remain secure should the locks be dislodged by explosives or other means.

Each Office Safe is supplied with a fixing bolt for securing to the floor.

Chubb Nugget Safe

The Nugget safe resists modern explosives, high speed drills and oxy-acetylene. It's developed to protect moderate sums of money in the small business or the home.

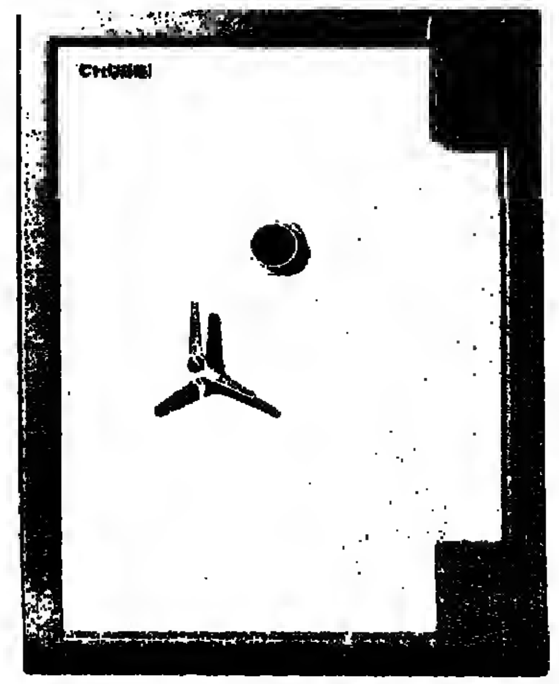
Its single cast body unit has no vulnerable joints or welds. The 127mm thick walls consist of Chubb anti-burglar material encased in steel. The door is secured by heavy 25mm diameter steel locking bolts on all four sides. Inside a one-in-a-million combination lock is further protected by automatic relocking should the mechanism be dislodged by force, explosives or cutting.



Chubb Rampart Safe

The Rampart safe is for the business needing a substantial level of cash security at a reasonable cost. The 103mm thick body is cast as a single unit to resist explosives, oxy-acetylene, high speed drills and fire.

The 169mm thick door contains a solid core of Chubb torch and drill resisting material. The door is secured by heavy 38mm diameter steel locking bolts — locking four ways into specially reinforced sections of the body. Again the lock mechanism is protected by automatic relocking should it be disturbed unlawfully.



Chubb Renown Safe

The Renown safe resists force, drilling and explosives. It has a single cast body of solid steel and barrier material. The door, constructed of the same materials, is secured on all four sides by 40mm diameter steel bolts to make it impossible to open by force or explosives

A flexible range of locking devices to suit individual needs is backed by the Chubb relocking system designed to automatically lock the bolts if the safe is attacked.

Chubb has the safe to give your business maximum protection at economic realistic costs.

Before another night passes, be sure. Chubb offers your business a no-obligation security check that examines not only your existing safe, but also the risk potential of your whole business.

Protect your business now by mailing this coupon today

☐ Rush me more information on the Chubb range of safes.

☐ Arrange for a no-obligation security audit by Chubb authorised personnel.

NAME .... POSITION ....

COMPANY ....

ADDRESS ....

.... PHONE ....

POST IMMEDIATELY TO:
Group Marketing Co-ordinator
Chubb New Zealand Limited
P.O. Box 3566 WELLINGTON
Or telephone: Wellington 721-444

Chubb

Commission's warning to absent objectors

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses company accounts.

THE non-appearance at Commerce Commission hearings of parties who have previously registered protests about commercial activity will lead to their objections being lost by default.

The commission makes this point in its detailed decision on the L D Nathan/McKenzies takeover proposals.

The 71 page supplementary decision expands the commission's earlier decision allowing the takeover offer to proceed.

The commission says it takes the opportunity to stress that in its proceedings evidence, to be accepted, must be supported by substantiated facts, and opinions expressed must be given by witnesses whose qualifications and experience give credence to those opinions.

"Further, the opportunity must be afforded other parties to cross-examine and test the evidence and opinions given and enable the commission to judge the weight to be given to them".

The commission expands its views on the effect of the Commerce Act in the field of takeovers and mergers, and says the act is directed against "mischiefs" which may result from a takeover or merger, not against the takeover or merger itself.

"It would appear the legislation recognised that mischiefs may occur, be unavoidable, or necessarily acceptable to some level, in the achievement of effective and efficient development of industry and commerce, presumably because of the size of the New Zealand economy and its need to compete in world markets."

The commission says that view is further evidenced by the fact that, although mischiefs might occur, the act does not seek to prohibit mergers and takeovers in the first instance, as it does in the case of certain other practices, but provides the means to avoid, prohibit, or mitigate those effects.

In reaching its detailed conclusion on the Nathan/McKenzie case, the commission comments on procedural points which are relevant to other cases which may come before it.

Proceedings before the commission should not be regarded solely as contests between adversaries, which would be concluded by pronouncement of a "conviction" or "acquittal" verdict.

"The commission sees its own role as applying an appropriate combination of investigative, conciliatory and determining techniques in the light of all the submissions and evidence placed before it.

"In the course of fulfilling that role, it must take account of the adversarial stances, if any, taken by the parties, but they are only a part of the total exercise.

"At the inquiry the parties submit factual information as substantiated evidence and offer informed and considered opinions supported by the evidence of witnesses' proven experience or expertise. The scheme of the act then directs the commission to weigh the evidence and submissions in a specific manner to arrive at conclusions which will lead to the solution which will best achieve the objectives of the act.

"The purpose of the proceedings is to assemble and test all the information and evidence pertaining to the circumstances of the case, to enable the commission to determine where the balance lies between the various factors and then to arrive at its decision."

The commission's decision also contains an important clarification of a Commerce Act section dealing with the effects of a proposed takeover on "costs, prices and profits and whether these will be increased, maintained at a level higher than may be necessary and whether the supply of and variety of goods will be limited".

The commission said it can be concerned only with the activities of the participants (*NBR* emphasis) and the goods they manufacture, wholesale, retail or that are otherwise involved when dealing with that specific provision.

"In this aspect of its inquiry the commission is concerned with the goods common to both parties and only these goods."

That comment appears to rule out a wider examination of the effect of the proposed takeover on costs, prices and profits arising from the sale of goods throughout the total retail sector, for example.

In considering the effects on competition, it is appropriate to consider the proposal in the wider context, because competition has other elements in addition to price, including access, availability and service (supply) and the range of goods and their alternatives (variety).

The commission summed up its dissection of the various components it had to consider in terms of the act in this passage: "The relevant market, therefore, was that market determined by the products, activities and geographic areas taken into account by the commission in its deliberations.

"The product dimension comprised the products sold by McKenzies and Woolworths and competing products, as defined in the preceding paragraphs. The activity ... the participants and ... tors, selling the same ... peting goods, namely ... Finally, the ... dimension embraced ... regional and local ... tions."

The decision conclude... a discussion of the approp... accounting techniques ... sider when inquiring ... proposed takeover. In vie... the conflict between ... opinion on inflation ... ing, the commission ... it is unable to prescrib... basis for the calculation ... effective rate of return ... than the traditional ... ship between profits ... to shareholder funds ... figures to be taken fr... information disclosed ... holders in the publishe... accounts.

Two tier investment leaders hold limelight

"TWO tier" investment continues to dominate the sharemarket. The leaders, particularly those in the go-go forestry sector, and some second line stocks, are seeing all the action while other industries and companies are suffering from investor neglect.

That is a reflection of the short-term economic outlook. Investors find it hard to get excited about retailers, building firms, and industrial organisations which rely on the domestic market.

Exports is the game as far as the market is concerned, which is logical given the size of markets overseas and the attractive taxation incentives available for companies prepared to devote time and money to building up a sound export trade.

Two proposed issues were announced in the last week or so. Tolley Holdings, the Wellington based cable and electrical equipment manufacturer, will have an extraordinary general meeting on August 18 to approve a one for three rights issue of ordinary shares at par.

The group had a strong profit recovery in the six months to May 31, turning a net loss, before extraordinary items of $216,000 into a $719,000 profit on the same basis.

The result included an export incentive rebate of $320,000, another indication of the profitability available from exports.

The Tolley issue will be underwritten. Any shareholder seeking to sell rights will obtain only a small amount, due to the low price for the head shares, and the fact that they are cum a 5c interim dividend which will be deducted from the price by the time payments are made on the new issue.

The head share price last week was $1.10. On the basis of one for three at par, after allowance for a dividend difference, any rights would have a theoretical market price of 2.5c.

The shares have attraction as a recovery bet. Assuming a full dividend of 13 cents for the year to November 30, 1980, the yield is 11.8 per cent, but would be attainable after a new shareholder had the shares for about nine months, which is an effective yield of 15.7 per cent.

That figure assumes that there is no tax-free element in the payment, but is still attractive on an income basis, and makes no allowance for any capital appreciation, even modest, if the company returns to a decent profit level in the current term.

The other issue, that of Rex Consolidated, will probably receive greater market support.

Rex's one for three specified preference share issue will carry a dividend of 15 per cent. The shares will convert to ordinaries in 1986 in the ratio of three ordinaries for five specified preference shares.

Chairman Lew Ross told the annual meeting that, on the current price of $2.40, entry to the ordinaries is available at $1.66 on conversion. If we assume that the converted capital is fully "watered", the payment of $1 now equals $1.66 in five

Continued on Page 13

Analysing accounts: Development Finance Corp

THE Development Finance Corporation's annual report refers to DFC's innovations in New Zealand finance, but the financial statements are below the level of many public companies.

The DFC's shareholders are the public, and the public is entitled, at least, to the information which companies in the private sector consider suitable.

Two points raise questions about the financial operations. The corporation's balance sheet shows that "short term investments" (listed under current assets) rose $41 million to $56,589,000 in the year to March 31 1980. The only explanation is a statement in the report alongside a table of maturing liabilities and advances repayable from borrowers: "In addition to these advances a further $59,306,700 was held by DFC at March 31, 1980 as short term advances and readily marketable securities."

The corporation's net "development advances, investments and assistance" went up $16.5 million in the same period, after allowance for advances due within one year.

The latter figure was $29.7 million at balance date, compared with $17.8 in the previous year. So where has the extra $41 million in short term investments come from, and why?

The term liabilities give a clue. They were $133.6 million in 1979, rising to $172.8 million a year later, both figures after deducting amounts due within one year.

That movement is also $39 million. Has the Corporation borrowed $39 million long to invest it short?

The $39 million seems to be made up (as far as can be ascertained from the accounts, and in the absence of any explanation in the text) of $10 million in floating rate certificates raised at the end of calendar 1979; an increase of $6.1 million in public debenture issues, and $19 million as a rise in "other local currency loans".

There was a net decline of $5 million in eurodollar notes and "other foreign currency loans", before allowance for amounts due to mature in one year.

The corporation raised a substantial amount of money on the market for medium to long periods and for some reason invested it in short dated securities. Normally that would call for little comment, but the amount is so large that there should be some explanation.

Three possibilities occur (only possibilities because the corporation's report — also a report to Parliament — is silent on the change).

Either the corporation saw difficulties in capital markets in 1980 and decided to raise funds at possibly lower interest rates than rule now (to have a relatively large supply of money available at "low" borrowing rates in 1980-81), or it misjudged the demand for funds this year and is stuck with a substantial amount of borrowed money in a stagnant economy. Finally, large sums might have come to DFC at the end of the year and been invested short in anticipation of a drop in short-term rates which would give a capital gain.

The corporation should have provided the answer. Is it the function of New Zealand's "investment bank" to hold 20 per cent of its assets in short term investments compared with 6.5 per cent in the previous year?

The second question requiring explanation appears in the revenue statement. The DFC had total income of $28.3 million in the year to March 31, 1980, compared with $20.4 million in 1979, an increase of 39 per cent. The cost of funds totalled $21.1 million, 34 per cent higher than the previous year's $15.7 million.

The "gross margin on funds invested" was $7.2 million, or 53.6 per cent above 1979's $4.7 million. The various percentage increases are in proportion, until we come to "operating expenses", which were $3,576,000 as against $1,856,000 12 months earlier. The statutory amounts (audit fees, directors fees and depreciation) were $56,152 higher at $137,688, so the net increase in other operating expenses was $1,563,500, or 88 per cent.

Where did that money go? There was a net increase of 19 staff members over the year. Their salaries would fail to account for such a disproportionate increase. The addition of salary increases over the year still leaves the rise out of proportion to the rest of the revenue account. Some allowance for higher costs in the new Wellington head office is probable, but that was occupied for only a small part of the year.

The corporation's operating expenses are now 49.4 per cent of its gross margin on funds invested, compared with 39.4 per cent in 1979, 35 per cent in 1978 and 28 per cent in 1977. In 1976 they reached 45 per cent, after a steady climb over the preceding four years, but the gross margin fell that year so the high percentage was understandable.

The "shareholders" are entitled to know if the corporation is wasting money, or if the expenditure was incurred in expectation of a subsequent payoff; you spend money to make money.

The other matter worth comment is the "essay" in the report, appropriately on purple paper, which suits the prose.

The first paragraph: "These are exciting times". The second paragraph: "These are also difficult times". The third paragraph: "But they are positive times".

The essay appears designed as part of a "pullout" for potential overseas investors, but it falls into the same trap as the recent publication *Growth Opportunities in New Zealand* because it overstates the case.

Thus we read: "The potential for the development of the tourist industry is enormous . . . The growth of manufacturing production and exports in recent years has been a minor economic miracle" (*that* term again).

"It (the nation) is equally aware of the vast economic potential which can be realised". Is it?

This is similar to the term "unlimited opportunities" used in *Growth Opportunities*.

Few would deny that this country has resources, potential, opportunity and a skilled, educated population.

Do the various writers of this type of prose believe that a hardheaded foreign investor will decide to grow lilies in a horticultural development merely because the official and semi-official documents enthuse that the lilies will grow up gilded?

Positive realism in development is a better approach than the present habit of documents which appear to be seeking the Essay, or Short Story of The Year Award.

Continued from Page 12

years time. That is 10.5 per cent a year capital gain compounded, before any allowance for the dividend on the new shares (which is taxable), and without taking the yield to maturity on those securities.

Assessing a rights price for specified preference shares is difficult, because it depends on what the market considers is an appropriate yield on the securities (and that cannot be calculated theoretically in advance unlike the price of rights to an issue of ordinary shares) and the yield is related to the second factor, which is a "desirable" total gain of income and capital appreciation over the five years to conversion.

In view of Rex's profit and financial strength, shareholders could expect a healthy rights price, if the brokers and other advisers add some capital growth in the head shares into their calculations.

Rex is a solid performer in the important area of industrial "nuts and bolts" (which includes handling equipment and a wide range of components for use in other machinery and equipment), with an impressive record in export markets. It has developed well in the years since founder Fred Bruell made drawing pins in an Auckland garage, and had trouble with the sharp bit, which tended to break off because of difficulties in obtaining the correct metals in that time of shortages.

The company earned 44.4c a share in the year to March 31, 1980, after a 20.4 per cent profit rise to $1,109,960 and a 24.5 per cent lift in sales. The group is well placed to enjoy further profit increases, which would further enhance the attraction of the forthcoming issue.

Note: The writer neither owns, nor has a beneficial interest in, Tolley or Rex shares.

O'Brien on business

Speaking up for business by using the media

THE Chambers of Commerce *Enterprise New Zealand* programme has become more professional, and relies less on emotive overstatement.

Two recent publications, *Speak Up For Business* and *How and Why to Report Business Results to Employees* extend the Chamber's programme with realistic advice for businessmen, in small and large organisations.

Speak Up For Business was prepared by PA Management Consultants Ltd for the chambers. It covers topics relevant to business activity. They include; *The Need to Speak Up, Opportunities to Speak Up, Using the Media, Preparation and Delivery of a Speech*, and a section on *Material to Draw On.*

I confess to some surprise at a quotation in a discussion on the need for businessmen to speak up. Included in a list drawn from *Time, Business Week* and statements by National Development Minister, Bill Birch, the previous Wattie Industries managing director, Gordon Wattie, and others, is a comment from yours truly's contribution to *NBR's* May 1980, *Outlook.*

The statement said that ordinary events have little news value. It was used in the context of hectic action in gold and silver markets earlier this year; action which had little to do with the spending patterns of most of the world's people. Its relevance to *Speak Up For Business* is difficult to understand, and its inclusion in the report illustrates the problem of comments being quoted out of context, in an attempt to "prove" a particular viewpoint.

The booklet has commonsense advice to businessmen on how to get their message across. The section *Using The Media* obviously has particular interest to *NBR.*

This section was prepared by Network Communication Ltd's John Green, a public relations man who knows about the media.

He says that in developing a relationship with the media, businessmen should be compassionate, polite and friendly always, patient ("never blame the reporter or ring the editor in a rage"), accurate ("even off the record"), don't fib, interesting, and in time for deadlines.

Green adds that a company should have only one spokesperson, should not use news releases (interviews should be set up) or news conferences (unless it's both new, and of national front page importance), and that businessmen should know the law of defamation. Inevitably he advises companies to get a public relations consultant. That can backfire, because the media may have as much caution about sections of that industry as it does for business (or anyone else) trying to put its affairs in the best possible light.

There is an interesting comment regarding *The Interview;* "if the pressure is really on, cross examine the reporter".

That technique can also backfire, unless the interviewee has the finely-honed media approach of a certain Muldoon.

Green and PA could add a few more tips for the businessmen, particularly those in charge of large corporations who deal with financial writers. One is; "don't be patronising".

Some corporate leaders would cringe if they heard the "after match" comments regarding their news conference statements: "You fellows are the experts"; "we need your ideas"; "ask us anything you like"; when it is obvious that the executives are the experts on their companies, and transmit a clear message that they have no need of outsiders' ideas but want to ensure that only their ideas get across. The tough, or sensitive, questions will be deflected in a mass of verbiage.

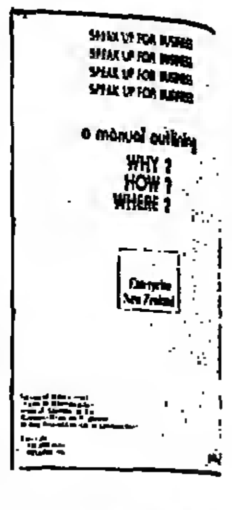
Many corporate activities are complex, difficult to dissect without considerable information and time, and just a few in a never-ending stream of commercial announcements, but ranked number one in the minds of the companies concerned.

People in other publications and sections of the media have their own views, but speaking generally, interviews with informed American businessmen or experts are the best. The British (particularly the elegant ones) can be a bore and often lack the ability to think analytically while talking, and many New Zealand businessmen (in common with much of the population) mistrust the media while attempting to deal with it. That mistrust often comes through, whether at a news conference or in a private interview, unless the executive (a) understands the interviewer's task and/or (b) has an appreciation of working fast against deadlines which wait for no person.

In regard to the latter, businessmen (and the chambers) could set themselves a test. Sit down and type (no secretaries), say 1000 words on a complex corporate topic relating to a company or industry other than your own, go through corrections of style, delete superfluous words, ... for general interest ... formed ... ("viewership" or "le...ship") and do it all in ... to two hours. Then you... in a better position to "... media" when you "speak ... a business".

The chambers' rep... communicating results ... ployees is an improvement ... the initial efforts in the ... Early attempts at ... reports had silly ... which detracted from ... formation and were ... tous insult to the reader's intelligence. The current ... says such illustrations ... attention away from the ... purpose".

The chambers' educational documents ... dicate an improved ... and a better understanding of attitudes outside the ... world.



Stock Exchange weekly review

FOR WEEK FRIDAY JULY 18 TO THURSDAY JULY 24

	Last sale	Week's high	Week's low	Turnover
AIENOER,10C	111	117	117	700
7.5% PR	...	...	...	0
6% HR	...	...	...	0
AJAX G.K.H.	285	...	...	0
A.J.HEIIE	100	...	...	0
55.5% EONV HR	...	...	...	0
ALCAN,50C	167	161	165	14800
A.H.I.	217	219	215	25600
ALLEANCE,50E	52	55	41	42400
52% CONV PR	44	44	44	1500
ALEFLER	116	111	116	28200
ALLIED FARMERS	290	290	289	15900
12% EONV PR	260	280	215	900
ALLOY STEEL	200	...	...	0
A.R.H5SLST, 50E	205	205	205	2600
AREOL PET.,50C	161	167	167	1100
A.BEAVEN	108	109	108	23200
51% CONV N15	95	95	95	900
51.5% EONN HR	90	90	90	700
SHOSR GROUP	108	108	105	2100
5-6.5% PR	90	...	...	0
12% EONV PR	90	...	...	0
ANF BANKING GROUP	220	220	215	54300
A.WRIGHT	550	530	550	400
"A" 6-7.5% PR	...	...	...	0
"B" 5-6% HR	...	...	...	0
A.BARNETT	161	185	161	500
A.SLAIS	55	55	55	500
ARSNUE TATES	358	340	158	1500
12% CONV HR	150	150	150	200
ASHDA OXNGH	225	...	...	0
A.B.CABLSG	200	200	200	600
ATLAS, 50E	36	37	55	21500
10% CONV HR	52	32	50	5100
AUCK.GAS	455	455	450	1250
AURORA,50C	150	150	150	6100
10% CONV PR	220	...	...	0
14% CONV NTS	104	104	104	100
CONV NTS '84	102	...	...	0
A.C.I.	198	...	...	0
AUTOCRAT HOLDA	165	165	165	100
BAILLIE,50E	65	...	...	0
HALLINS,50C	70	71	10	24800
11% CDNV PN	65	65	45	5200
HANS NEN	365	585	350	1100
BEACV HEIR.,50C	225	...	...	0
BIKS HAARIS, 50C	70	70	10	10700
N.H.S. FINANCE	240	260	140	1400
B5ANALIS BURNI11,50C	48	...	...	0
OAIOASVALS,50C	55	35	11	200
HRIEALEY, 50C	305	306	302	26900
12.5% SPEC HR	...	...	...	0
BOS, 50C	55	...	...	0
B.H.P., 200E	1950	1980	1910	1900
BADSNER, 50C	10	...	...	0
BUNTINS,50C	75	15	10	9600
BURRIS CAT.,50C	152	...	...	0
C.H.B.	195	194	195	1600
7-9% "A" HR	...	...	...	0
5% "B" PR	...	...	...	0
10% CONV PR	170	171	170	[illegible]
C.F.C.A.	217	217	215	[illegible]
11% CONV PR	165	165	165	200
C.I.H.	205	205	208	14500
12% CONN PN	140	140	140	100
CANT.1LOUR	220	...	...	0
CANT.TIMBER	310	315	310	2700
12% CONV 010	215	280	215	200
CAPITAL RADIO,50C	155	151	150	7200
CAPITAL LIFT,50C	12	...	...	0
CARBONIC ICE	210	...	...	0
CARTER HOLT	421	425	410	7150
CIRANCO	220	222	210	15100
12% CONV PN	100	105	100	1400
CHALLENGE	254	215	150	44000
CHINFRT	151	152	145	5500
CH'CH.GAS	162	152	160	11000
CH'CH PRESS	775	215	275	500
CITY REALTIES,10C	35	35	55	6800
CLYDE GROUP	100	100	100	3600
12% CONV HR	90	90	90	1200
COLLINSWOOD,50C	40	...	...	0
13% CONV PR	38	...	...	0
COL.MOTOR	187	...	...	0
COLTIS WATSON	98	100	[illegible]	9000
CONAICO,50C	650	650	425	8500
CORNANO	148	148	142	15900
COM.BANK AUST	520	...	...	0
COM.METAL,50C	165	165	165	6600
COM.SILVER,4C	10	10	10	1000
COOAS MINS	153	155	150	15500
CONT-HEEGHT	110	110	110	[illegible]
12% EONV HR	85	...	...	0
CROWN CONSOLIDATED	193	198	[illegible]	1400
11% CONV PR	180	180	180	300
C.S.R.	950	950	950	1700
CYCLONE,50E	200	200	200	1400
DALRETTEN.2)	215	213	215	14600
DALHOFF & KING,50E	38	60	58	5720
REANES	135	135	135	200
D.E.C	152	152	152	100
12% CONV HR	125	125	125	500
GIRDNELL & PAULSEN	160	180	180	8100
G.HCL WALLACE,50C	115	116	115	4100
12% CONN NTS '79	...	...	...	0
11% NTS '82	115	115	115	400
8% CONV NTS	90	90	90	1600
D.F.H.A	66	...	...	0
BON.HREN.,50C	82	85	80	[illegible]
E1% CONV PR	46	48	45	2800
DOMAENI'R	320	320	320	1100
12% EONN PR	325	525	325	1400
D.R.G.,50E	90	90	90	5400
DUNLOP ENIS	340	340	540	4200
4.1% PR	45	45	45	300
EBBETT	115	115	115	3000
EBOI.30C	100	100	95	7100
E L'-IISN,5-1C	185	161	185	1000
EMPEROR MINES,10E	295	...	...	0
FROSTVOUR	135	137	135	2000
F.ADIAS	110	...	...	0
F.I.C.,50C	102	105	102	121700
17% EONV PR	75	75	75	102000
F.VAIPAK,50C	66	...	...	0
FELT'R,50C	115	113	E14	79300
3% PR	41	...	...	0
FIRESTONE NZ	117	117	117	1100
FISHER & PAYKEL	201	212	201	25700
FLETCHER	350	352	345	75600
15% CONN PR	105	108	105	77200
FOUNTAIN CORP	125	...	...	0
FREIGHTWAYS, 50E	155	135	155	2400
10% CONV PR	82	82	82	2000
GEAR	77	77	70	21500
11.5% CORN PR	60	...	...	0
GEN.FFRANES	200	...	...	0
G.COURT	120	120	120	2800
G.J.COLES,53E	207	...	...	0
GOLDEN BAY,50C	50	51	50	34200
GOODMAN GROUP	245	245	238	221600
14% CORN PR	186	...	...	0
GOODVERON PROPS, 25C	30	...	...	0
HALLENSTEIN	230	230	225	9000
HABLEY	165	...	...	0
HAURAKI ENTERPRISES,25C	210	210	210	600
HAWKINS,50C	57	57	65	27400
8.5% HN	...	...	...	0

	Last sale	Week's high	Week's low	Turnover
V.G. FARMERS	196	198	198	200
15% EONV PP	140	...	...	0
KESLIER	265	265	210	28300
10% DER	...	...	...	0
12% CONV PR	215	215	215	1000
H.POLLARD	350	550	555	49500
10% EONV PR	220	...	...	0
HENRY BERRY,50C	155	155	155	2800
10% DIAR	235	...	...	0
HOOKER,50E	73	...	...	0
HUME INDUSTRIES	118	...	...	0
5-7.5% PS PR	45	...	...	0
10% CONN DEBS	111	111	117	1200
I.C.I.AUSTS	155	...	...	0
I.E.L.CRE1	190	192	190	5400
IED PROCESSING	140	...	...	0
INDEPENDENT NEWS	150	150	146	5100
IBB.CEBM.50C	200	...	...	0
INTERISBRAN NE,50C	...	...	...	0
I.V.DOV,50C	205	205	205	3000
JAMES AVISSION	210	210	210	400
JSNI5 SNISE 50C	68	88	88	200
14% COVV PR	60	...	...	0
J.B. WATSON	260	260	260	100
12% EONN PR	225	...	...	0
J.BURNS	175	115	115	200
12% CONV HR	150	...	...	0
JOHN EDMOND	200	200	200	400
J.WEBSTER 50C	48	46	48	1000
12% CONN PR	40	40	40	600
J.WFEER INDS., 200E	...	...	...	0
5.25-6.25% HR	...	...	...	0
J.RAIVAN	125	125	125	800
6.5% PR	128	...	...	0
11% CONN DEPS	125	...	...	0
J.RATIRAT	190	190	190	600
12.5% CONV PR	135	...	...	0
KESANS-OASIMA, 200C	210	...	...	0
L.V.AUORIN,50C	110	120	108	54500
12% CONV HR	85	...	...	0
LANIS,50E	45	45	45	700
L.D.NATHAN	179	160	178	29500
9.5% CONV DENS	185	...	...	0
LEILAND,10C	105	...	...	0
LION, 50C	94	94	92	30000
10% CONV HR	80	80	78	6200
12% CONN PR	10	10	69	5100
L.BN.OIL,10C	30	50	24	20100
LUSTEROID	425	475	471	100
MAINFEAL CORP,50C	95	100	95	1400
MAIR,50C	172	172	172	2500
11% CONV PR	150	...	...	0
MANAWATU,50C	125	...	...	0
MANINIL	170	...	...	0
MAPAC	260	750	740	5400
MCALPINE,50C	70	70	70	1400
MEALCHNIC	191	195	175	17900
MIDLAND	165	165	165	7200
11% CONV PR	130	110	110	100
[illegible]	72	75	55	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12% CONV [illegible]	[illegible]	...	...	[illegible]
[illegible],50C	167	161	165	[illegible]
M-P.I.M.	115	111	175	900
11% CONV NIS	140	140	140	500
MOBIL	10	10	6	73200
15% CONV PN	8	8	5	3700
MOTOR HOLDS.,50E	141	147	140	13900
12.5% PR	...	...	...	0
MOTOR TRAD.,50C	57	58	11	15600
"5-6% PR	46	...	...	0
11.5% CONV PR	50	...	...	0
MS1 CONPN,10C	110	110	107	13500
12% EONV PR	110	110	110	500
MT.COOK	160	165	160	10500
M.E.M.HOLDS.,50E	585	...	...	0
NAT.INSCE, 10C	217	218	215	16100
NATIONAL TRADING	...	...	...	0
8% PR	...	...	...	0
NAYLOR	104	...	...	0
5% PR	...	...	...	0
NEIL HOLDINGS, 50C	32	55	52	43100
N.Z.CEMENT	102	101	102	1400
N.Z.F.C.,50C	88	88	85	8900
11% EONN PR	15	...	...	0
N.Z.FARM FERT.	164	165	162	9400
11% CONV HR	150	156	135	900
14% CONV PN	135	153	152	1500
N.Z.F.P.	546	550	542	51400
N.Z.I.G.	560	...	...	0
5.5% HR	160	...	...	0
N.Z.I.	290	292	290	13100
10% COVN HR	160	162	160	15000
N.Z.LAND,50C	20	...	...	0
N.Z.LESTHENR	70	72	65	9500
N.Z.MOTOR BODIES	100	100	100	6500
N.Z.M.C	146	141	140	4100
N.Z.NEWS	205	205	202	40300
N.Z.METROL,50C	150	155	140	1900
N.Z.REFINING	95	95	95	14600
N.Z.STEEL	207	206	195	15500
N.Z.UNITED	325	...	...	0
NIVEN INDUSTRIES	105	...	...	0
NUHAAG	125	125	123	200
ODLINS, 50E	79	79	78	54200
"A" 6% PN	20	...	...	0
12.5% CONN PR	35	53	53	11500
"P" 15% CONV HR	62	62	60	42100
OPTICAL HOLDINGS, 50C	55	...	...	0
12% CONV PN	48	...	...	0
OTAGO PRESS & PROD	115	...	...	0
PANROC HOLDINGS	105	...	...	0
P.D.L.HOLDS,50E	120	120	120	6400
PERM.INVEST	75	...	...	0
PHILLIPPS & IMPEY,50C	115	115	115	5000
PRESTIGE,50E	80	60	60	1800
PRINT & PACKAGING	182	162	180	5200
11.5% CONV HS	146	146	146	100
PROGRESSIVE	510	510	490	13600
12% COVV PR	780	780	160	2380
PROP.SECURITIES,50C	158	158	158	2400
PROG.BUILDING	100	...	...	0
HUILL HORRIS,50C	[illegible]	[illegible]	90	[illegible]
12% CONV PR	75	...	...	0
R5010 AVON, 25C	162	182	182	1000
RADIO OTAGO	135	133	135	900
R88INR	100	...	...	0
R & W HELLABY	187	168	182	23900
RESO ESSENNS	250	250	250	3700
REPCO,50C	98	96	93	8900
10% CONV 6608	100	105	100	1500
REVERTEX	270	...	...	0
REN CONSOL.	235	240	235	4200
RHBAN,50C	170	170	170	100
RICKS75N,50C	242	...	...	0
ROTHMANS,50C	119	110	118	31100
N.V.SAUNDERS	310	310	310	900
SALMOND	200	200	200	1700
SANFORD	283	283	280	1200
PR	...	...	...	0
12% CONV PR	200	200	200	900
12% "B" CONV PN	...	...	...	0
SCHOFIELD	120	170	120	300
SCOTT,50C	82	62	82	3500
12.5% CONV PR	46	...	...	0
SELBY	200	...	...	0
SKELLERUP,50C	292	295	292	1600
3-7.5% PR	35	...	...	0

	Last sale	Week's high	Week's low	Turnover
SMITH & BROWN MAPLE, 50C	190	...	...	0
REISH BIOLAB,50C	170	110	170	1400
12% CONV PR	155	155	135	6600
SN55H8 C.M.	150	...	...	0
SIE. BRIESEN	298	298	295	11500
STVN. CROSE EGTEL	515	515	115	10400
SIEN CRORS MINS.,20C	58	18	18	4300
S.F.M.	228	230	228	26700
SHBODING, 50E	80	50	50	4000
12% CONV PR	70	...	...	0
STEEL & TUBE, 50C	102	102	102	10500
SUCRLING	150	150	150	4800
TASMAN, 50C	285	560	225	8700
RED NE	...	...	...	0
PANT PN	...	...	...	0
SSYLONS	115	515	155	900
12% CONV PR	112	...	...	0
SELTHEEN	176	176	176	2700
12% COEV PR	140	...	...	0
S J EDMONDS	376	...	...	0
TOLLEY	105	110	105	2000
TOUR FIJI	55	...	...	0
TRSNR 4EVBURIGN, 50C	46	...	...	0
TNL GROUP, 50C	75	25	74	38000
10% EONV PR	60	60	60	1800
12% COVV PR	62	62	82	900
SHANR INEH. EAR1.5	100	100	100	3000
15.5% CONN PE	90	90	00	200
TRANSVIEEON	190	190	E89	2100
U.D.C.	141	...	...	0
U.B.O.,50C	105	105	103	94900
6.5-7.5% PR	515	115	515	E000
12% CONN PR	90	...	...	0
15% CONV PR	52	55	52	9100
UNITED RIERR RHEP	80	...	...	0
5.5% PR	82	82	82	2800
UNETSD DLOG	105	...	...	0
UNISSO PUBLISHING,50C	185	...	...	0
VACATION,50C	65	63	65	600
12% CONV PR	32	...	...	0
12.5% CONV PR	50	50	50	100
WAITAKI-NEM	175	175	160	23500
11.5% EONV PR	158	140	158	2100
12% ORNS	165	165	165	1400
WALDFR & WALL	590	...	...	0
WATTIE,50C	115	116	114	67500
12.5% CONV PR	71	11	70	13300
VELG4S	465	...	...	0
WILKINS & DAVIES	190	200	190	900
5.71-1.5% PP	10	...	...	0
W.JEFFERY	136	136	136	500
12% CONV PR	105	...	...	0
WILSON & HORTON	365	565	360	1500
WILSON DISTILLERS	95	91	95	1500
WILSON NEILL	300	...	...	0
12% CONV PR	525	...	...	0
WINSTONE,50C	25	87	85	144000
12% CONV PR	60	60	55	24900
WIVERNS INTL PROPS, 200E	112	...	...	0
1.5% PR	12	90	72	[illegible]
WOARFIELD	[illegible]	...	...	0
5-7.5% PR	100	...	...	0
W.D.CARPENTER,50C	316	...	...	0
W.SUIHIRL5N6	135	155	135	100

Turning a stagnant economy around with care

Economics Correspondent

IN January at Orewa, the Prime Minister Rob Muldoon speaks about the state of the economy. In July, the Leader of the Opposition Bill Rowling takes the opportunity to talk about specific Government policies in his traditional speech to the Wellington Chamber of Commerce.

Trouble is, this year Rowling could not say much about specific policies.

Specifics about the Government's economic policy have been noticeable by their absence. At Orewa, the Prime Minister avoided saying anything of significance about the domestic economy. Instead he introduced us to his latest scapegoat, known for its evil effects on our economy: imported overseas inflation.

Then, on July 3, we got the Clayton's Budget, the Budget for when the Government does not really want a Budget.

The main comment which can be made about the Orewa speech and the Budget is that Muldoon's Government is not yet willing to commit itself to any policy. Rather than setting policy targets and then passing measures to achieve them, the Government has taken an official wait and see stance.

Rowling says this lack of decision has left the economy, the commercial community and the work force in limbo. While showing his support for restructuring, he is unhappy about the restructuring which is taking place now through the neglect of the Government. Rowling thinks we need goals and a consistent plan.

To get the economy out of its current low growth trap requires investment. New investment involves a certain amount of risk.

The Government has made some direct hints that there will be decisive policy introduced in the near future. And already some major changes are taking place in the guise of free enterprise, restructuring and national development.

Yet Rowling believes that "despite the political dominance of a so-called free-enterprise government for most of the last 20 years, the private sector is in poor shape. One clear symptom is its failure to deliver the increase in jobs that a growing labour force needs.

"The number of full-time male positions in the surveyed private sector have dropped by 15,000 since the end of 1975. This is during a time when more school leavers than ever before were entering the labour force, and when an increasing proportion of women wished to find worthwhile employment."

At over 60,000, the number of those unemployed and on special work is now at the highest it has been for 40 years, and all the signs are pointing to a further deterioration of employment conditions. Official Government sources have estimated that unemployment could reach 300,000 within the next three to four years if steps are not taken to provide more jobs.

The only sections of private enterprise to have done reasonably well over the last five years are really big companies which continue to expand by eliminating competition. So there is a growing concentration of industries dominated by one or two large companies. And by world standards, industrial concentration is very high in New Zealand.

This development worries Rowling because of its impact on the availability of jobs. He claims that as firms' assets grow, they tend to become increasingly capital intensive.

"With size increasing, it is labour out — technology in. When almost all our capital equipment has to be imported while we have now a very large reservoir of unemployed, the net value to New Zealand of such actions, must come increasingly under question."

The trend towards ever larger firms "causes even more concern when we look at the energy intensive industries that the Government is currently trying to promote. Not only are they capital intensive and poor users of capital at that, they are also vulnerable to market changes.

"Australia is intending to install five or six aluminium smelters over the next decade, bringing their total operating units to 10. Any extra smelter in New Zealand would be very much a marginal supplier of aluminium and continually threatened by the power of Australian industry. The potential for disaster is immense, given the cost of the investment and the cost per job created — between \$2.5 million and \$3 million per job."

So far so good. The Opposition Leader has performed his political function by criticising the Government's economic policies or lack of them. And he has spoken out strongly in the interests of his main constituents, the working person and the small business owner.

But what guidelines does Rowling offer us as to how his Government would get the economy rolling again if elected in 1981. We get two sugar coated pills.

The first pill is administered with a lecture about the irrelevancy of ideology to the debate about our economic future. A Labour Government would provide a clear development plan following social goals. But "the situation must not be seen in terms of out-of-date and irrelevant myths about free enterprise on the one hand and socialism on the other."

Economic growth also requires new investment. A Labour Government would make working capital available at lower interest rates. And while there must be changes in the present pattern of political and corporate power, the Government would "both encourage and support the economic and personal impact of that change."

These sugar coated pills can only provide cold comfort.

Rowling seems confused about the difference between the political connotations of free enterprise and the economic effects. Large firms are not consistent with the competitive market underlying the free enterprise system. They have monopoly power, which may have been gained as a result of previous Government attempts to develop certain areas of the marketplace.

Low interest rates on working capital, subsidies and tax incentives offered by benevolent Governments have provided the opportunities for the really powerful to expand their political and economic base. Development policies aimed at using capital, energy resources, and other raw material resources may add to economic growth, and increase the returns of the already powerful without improving the standard of living of the wide majority of New Zealanders.

Rowling's concern for the majority is not sufficient. He must come up with a policy which will also improve the economy's output. So far he has failed to show what sort of economic policies he would introduce to ensure that new capital investment will bring about a high enough rate of return to bring about the social goals we desire.

Sacred Saturdays face unequivocal change

by Jack Hodder

THE introduction of the Government's Shop Trading Hours Agreement Bill may mean that, for once, the usual slogans — "public demand", "an attack on the 40-hour week", "freedom of choice", "a threat to the New Zealand way of life" — are appropriate.

The Bill proposes an unequivocal change in the commercial status of the New Zealand Saturday: the deregulation of the day once kept sacred for the nurturing of All Blacks, the mowing of lawns and the movies.

In the heated debates on shop trading hours legislation in 1977 and even in 1955, the slogans tended to submerge the terms of the legislation supposedly under consideration. Even if the slogans are more accurate this time around, the terms of the legislation deserve some attention.

The current law on shop trading is to be found in the Shop Trading Hours Act 1977. It came into force on October 1 1977, replacing a part of the Shops and Offices Act 1955. That was in turn based on the 1927 legislation which transferred responsibility for enforcing shop trading hours from the Police to the Labour Department.

The scheme of the 1977 Act involves a general rule of prohibition qualified by several permissive exceptions. The general rule is that no shop shall be open between the hours of 9 pm and 7 am, or on any day that is a Saturday, a Sunday, New Year's Day, the day after New Year's Day, Waitangi Day, Good Friday, Easter Monday, Anzac Day, the Sovereign's Birthday, Labour Day, Christmas Day, Boxing Day, or your local anniversary day. Thus a shop can open and sell whatever it chooses (subject to specific regulations — for example, in respect of liquor) between 7 am and 9 pm on weekdays that are not public holidays.

The first category of exceptions relates to "approved goods" and "special goods".

"Approved goods" are listed in an Order in Council (made in March 1979); they include confectionery, dairy products, frozen foods, magazines and periodicals, plants, tobacco products and toilet rolls.

All goods not on the list are termed "restricted goods" by the Act. But certain of the restricted goods are also listed in the 1979 Order in Council as "special goods"; these include building supplies, garden tools, motor vehicles, plumbing accessories and trailers and caravans.

A shop may sell "approved goods" only at any time at all if all "restricted goods" are out of sight or in a part of the shop that is closed off at times when the general rule would otherwise require the shop to be closed. "Special goods" may be sold at the times specified in the Order in Council (generally on Saturdays between 7 am and 1 pm) without breaching the Act.

The second category of exceptions involves an application to the Shop Trading Hours Commission for an order authorising opening at specified times that would otherwise be prohibited. Such applications may be by individual shop occupiers for their particular shop or by a majority of the shop occupiers in a particular area for all the shops in the area.

Before granting such an application, the commission must satisfy itself that the making of the order sought is in "the best interests of the public generally".

That is not a particularly precise formula and the Act goes on to list certain criteria that the commission must have regard to in determining applications:

- Public demand;
- Impact on retail prices;
- Impact on family and other social patterns in the area;
- Nature of area and class of patron (for example special regard to facilities for tourists and holidayers);
- Orderly planning and development;
- Occupiers of other shops;
- "The need to minimise the amount of commercial activity taking place on Sundays";
- "The application of the principle of the 40-hour week . . . and any derogation from that principle that may be caused by the granting of the order".

That then is the *status quo*.

The fundamental change proposed in the new bill is the exclusion of Saturdays from the general rule of prohibition outlined above. If the bill were passed in the form it was introduced, any shop could operate at its choice between 7 am and 9 pm on every day except Sundays or public holidays.

The unqualified authorisation of Saturday shop trading would make the category of "special goods" redundant and the bill would in fact abolish it.

"Approved goods" would remain as would the exception for sales of such goods alone. Similarly, the procedure for applying to the commission for a special order would remain unchanged, but, of course, in both cases the need for recourse to either of these exemptions would be greatly curtailed by the permitting of general Saturday trading.

The Bill also proposes the creation of a new exception: for "dairy-mixed businesses".

These are defined as shops which sell (a) milk and (b) other goods limited in quantity and kind to those sufficient to provide persons residing, staying or travelling in the immediate area with food, beverages and household and personal items that they may reasonably require to purchase on a Sunday.

On application by a shop, the commission, if satisfied that it was a dairy-mixed business, would make an order exempting the shop from all shop trading hours restrictions.

It seems that "dairy-mixed businesses" will at any time only sell goods that people in the immediate area "may reasonably require to purchase on a Sunday".

Presumably this is an attempt to define your local corner-dairy. If so it is both inelegant and imprecise. Given the opportunity, it would surely be reasonable for people in the immediate area to purchase anything they are likely to consume on Sunday (which is not necessarily any different to that on Saturday — or Wednesday): the roast? the burgundy? the caviar?

The Shop Trading Hours Commission is in for a major diminution of role if the bill proceeds as presently drafted.

At present the commission consists of a chairperson, who must be an experienced lawyer, and two other members; all of them hold office for three-year terms.

The Bill proposes that, from October 1 1980 (precisely three years from the initial appointment of commission members), the commission will become a one-person body with no particular qualifications.

As well as having a substantially reduced workload from the reduction of Saturday trading applications, the bill contemplates that the new commission will have a less significant role in respect of the list of "approved goods".

At present, the list can only be amended on the recommendations of the commission; the bill would enable the list to be amended "after consultation" with the commission.

And if the Olde New Zealand Saturday falls to Commerce, who shall guard the ramparts in defence of Sunday? It is now five years since the Public Issues Committee of the Auckland District Law Society called for an end to the various legal prohibitions on Sunday activities, pointing out that for most New Zealanders, Sunday is a day of relaxation, not of religious observance.

The point is not merely speculative. The Government has promised (not for the first time) to introduce a Summary Offences Bill this session to replace the antique Police Offences Act.

If the Bill follows the recommendations of the 1974 Statutes Revision Committee report on that Act it will repeal s18 which makes every person who works at a trade or calling for gain or reward and in view of any public place liable to a \$10 fine.

Cash-flow problems hit Australian companies

Melbourne Correspondent

AN international survey conducted for a group of major Australian industrial companies has shown that of 15 competing nations only one country has a tougher attitude than Australia, toward the depreciation of new investment.

The Australian Industries Development Association said this, and other significant differences, were placing Australian companies at a disadvantage in terms of available cash and restricting investment. Association director Geoff Allen said the Government was being too optimistic about the availability of capital.

Business in Australia was having great difficulty in generating sufficient cash-flows simply to maintain itself in business, he added, let alone surpluses for new investment, and the less it can generate internally the more it has to borrow from overseas.

According to the association, the survey indicates several crucial issues affecting the problem of Australian companies' cash-flows.

The principal feature distinguishing Australia from the other countries surveyed is the absence of accelerated depreciation provisions.

Other notable results from the survey were Australia's lack of depreciation allowances available for manufacturing buildings, less-than-average depreciation rates for certain plant and equipment, the lack of accounting for the inflationary effects on stock values for tax purposes, and a high company tax rate.

The survey examined the effective tax rates on distributed manufacturing profits and found that the Australian company tax rate of 46 per cent is the second highest among the seven countries surveyed which used the classical taxation system.

Taxation rates under the imputation system used by the other eight countries are generally higher, reflecting the fact that under this system, shareholders are credited for tax paid by the company while under the classical system both the company and the shareholder are taxed.

For example, the British rate under the classical system used until 1972 was 40 per cent but this was raised to 52 per cent under the imputation system. There are, however, significant differences in what is included in taxable income.

Tax holidays are available in Brazil (five to 10 years), Malaysia (six years and 10 years), France (three years), Singapore (five years to eight years), Taiwan (five years) and South Korea (five years) for pioneer industries and/or industries located in specific areas, while Brazil and the Philippines exempt such companies from certain non-income taxes, such as customs duty.

Capital gains are not taxable in Australia, Hong Kong, Malaysia, Singapore and South Africa, but taxable either at the basic tax rate or at some lower rate in the other 10 countries. Trading stock valuation adjustments eliminate or reduce the illusory increase in taxable income due to the impact of inflation on trading stocks. These adjustments are available in Canada, France, Japan, Britain and the United States, either through specific adjustments or through the use of the LIFO (last in - first out) basis of stock costing.

The survey found that Australia stands alone in being the one major developed industrial nation without some form of accounting for the inflationary effects on stock values for tax purposes.

Allen said: "Cash-flaws are being dried up because of the taxation of illusory profits, the artificial profits that come from this revaluation of stocks in accounts.

"Profits look good, but in fact cash-flows are not being generated, and companies are forced to borrow a great deal simply to maintain working capital."

Another crucial issue, Allen maintained, was the depreciation of new plant, equipment and buildings.

"We have looked overseas, and found that of 15 competitive economies Australia is the worst off, except for one, in terms of the way new capital investment is taxed," he said.

Australia stands alone in not providing depreciation for manufacturing buildings where as the average period of depreciation write off provided by Australia's trading partners is 28.8 years or 3.47 per cent under the straight line depreciation method.

Australia's depreciation rates are below the average rates available for plant and equipment, particularly compressors, earthmoving plant, forklift trucks, machine tools, automobiles and general mining plant and chemical manufacturing plant. But Australian depreciation rates are relatively favourable for mining buildings, computer systems and laboratory equipment.

The principal feature distinguishing Australia from the other countries surveyed is the absence of accelerated depreciation provisions. All the countries surveyed with the exception of Australia and West Germany provided accelerated depreciation provisions.

In addition most provided investment allowances or investment tax credit. An aminstion of the investment incentives available, indicates both the magnitude of the allowances and the very substantial differences between countries.

Manufacturing, processing, and mining equipment can be written off in two years in Canada and in addition, tax credits ranging up to 25 per cent are available.

Britain has a one-year write-off for plant and equipment as well as a 50 per cent first year allowance for industrial and mining buildings.

Apart from tax credits of 10 per cent, the United States allows for accelerated depreciation in the form of the double declining balance method which is simply twice the straight-line method percentage applied to the written down value of the asset.

The association believes the international survey has clear implications for public policy. If Australia is to have increased investment, particularly in further processing and manufacturing, and competent exports, then it not only needs a better fiscal environment but, in terms of international comparisons, deserves one.

Risk capital: DFC's $2m not much to spread

by Lindsey Dawson

LET'S assume your local backyard inventor, Fred Handy, has a brilliant idea. Maybe a miraculous fabric fastener — something to do away with zippers for ever.

Fred is no great shakes in the finance department. Packaging and marketing are a mystery to him and he has a lot more research to do on applying his invention to different materials before he has a commercial proposition.

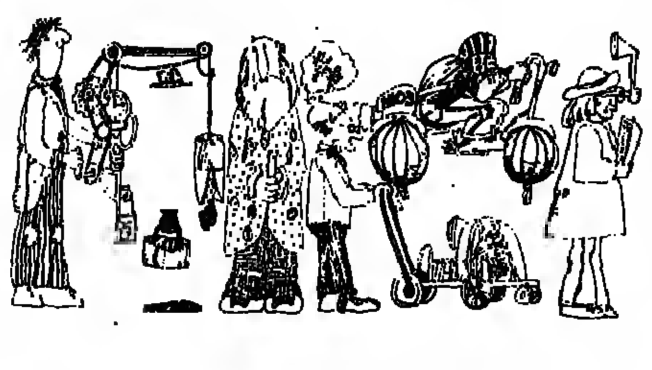
Fred's in trouble in New Zealand. His invention might be a potential moneymaker but there aren't too many sources of risk capital.

One place he can try is the Applied Technology Programme of the Development Finance Corporation. But its $2 million a year is not much to spread around, and Auckland manager Owen McShane hears of dozens of Freds every year.

For three years the programme has been funding people with bright ideas in the hope that, occasionally, they'll be backing a winner.

"It's a high-risk business," says McShane.

"Some agencies reckon that you'll get a one-in-six success rate. You have to be prepared to write off money hand over fist, hoping to strike the good one. The big thrill is when it happens."



Every country in the world runs similar schemes, usually on a much grander scale than New Zealand's and funded in various ways.

"Some programmes are funded on a 50-50 basis, the Germans will go up to 100 per cent, and the Americans do it through military contracts, and the private sector," McShane says.

"Here no-one wants to take the risk. We are about the only source of venture capital in the country."

McShane says that the lone inventor is unlikely to get help from his agency.

"We are tending to, say, set up a formal agreement with a business partner and then we'll fund a company."

But McShane says he is delighted that some big companies, keen for export income, are seeking good product lines with international sales potential.

"They're actively looking for new technology and products. Fisher and Paykel have licensed the computerised petrol pumps developed by Production Engineering of Marton, and that's a very proper pattern of business.

"The other day a guy came in here with a real winner of a product. He'd already started to negotiate with an international company. He would really have been ripped off. But we've got a local firm interested and it looks like we'll have a deal."

The small firms are the innovators in technology, and many of them are referred to the Applied Technology Programme by the Small Business Agency. That programme is Government funded.

"This year we've had no big increase in funding and because we get approvals and dispense the money in advance we have to be wary of going over-budget," McShane says.

"Consequently we're having to be more restrained and selective with our budget, but we're getting better projects as a result."

The DFC rarely hands out grants except at the early stage of a project, because they don't generate revenue, and the eventual aim is to have a self-funding programme.

McShane says he believes this might be achieved in five years.

"We try to calculate a return of 30 per cent, and to achieve this a project has to do very well," he says. "Rather than grant a loan of $50,000, which would increase a company's liabilities, we purchase rights in the technology and negotiate a royalty in advance.

"So we might supply $50,000 and in return get a royalty of 5 per cent until we get our money back three or four times depending on the pay-back period. This does not mean that we charge an interest rate of 200-300 per cent as has sometimes been reported."

The DFC is more heavily involved in its clients' projects than most lending institutions, giving help and advice in such areas as technology trsnsfer, international marketing and negotiating international licences.

It is too early to judge the ultimate success of the Applied Technology Programme.

"We've had some failures already. A few look like going really well, but with most it's too early to tell yet," said McShane.

But he looks hopefully to a future when licensing revenues will be producing big money which will allow the programme to expand.

England's National Research and Development Council funds itself almost entirely out of the proceeds from artificial penicillin.

He is looking for winners in three main areas of technology — pharmaceuticals, electronics, which led the way in the 1970s, and biological engineering which is the big news of the 1980s.

Scientists are taking out patents on man-made forms of life, such as a new American-made bacterium which can eat oil-slicks.

McShane says New Zealand science can play a part in the new genetic technology.

Government administration

Customs tries to refine focus of film sales tax

by Rae Mazengarb

THE Customs Department cannot sort out the black from the white of the Budget sales tax on photographic film.

It seems department officials are finding it difficult to decide what types of film come within the scope of the tax.

And irate members of the printing trade see the tax as an attack on their industry.

The Budget imposed a straight 40 per cent non-refundable sales tax on film stock, replacing the former 50 per cent refundable tax on roll film.

Announcing the new measure — merely one of "two adjustments to remove anomolies" — Prime Minister Rob Muldoon referred to the abolition of refunds of sales tax on "photographic film" and said that from Budget night "all such film" would be taxed at the uniform rate of 40 per cent.

Trade members are challenging a recent departmental ruling that lithographic film — used widely by the printing industry — comes within the scope of the tax. They say that either the officials did not fully appreciate the technical difference between ordinary photographic film and that used by printers, or that they misinterpreted the Budget statement.

According to Printing Federation executive director John Cook, lithographic film has never been subject to refunds. How, then, could it be included within Muldoon's reference to "all such film" and be subject to the new sales tax? he asks.

The industry "wanted to play the whole issue on a low key basis" for the present, Cook said, but the Printing Industry Council was seeking a further ruling on the question from Customs Minister Hugh Templeton.

Asked about the previous ruling, Cook said: "We believe the department misinterpreted the Budget statement."

The trade body was determined to oppose that ruling and had already begun preparing submissions in support of its arguments, he said.

According to Assistant Customs Comptroller Pat McKone, film such as the highly specialised photo-stencilling film used by printers "would possibly" be regarded in the same light as printers' plate and might therefore be exempt from the tax.

McKone conceded there was a "grey area" and that some film could be outside the intention of the measure.

The department would await "full details" from the printers before making a final ruling on the question, he said.

A ruling exempting photo-stencilling film would be a reprieve for Printing Federation members involved in silk screen printing, but not for the printing trade generally which is still reeling from recent cost increases aside from those threatened by the Budget move.

Already there have been reports that the tax will have a disastrous impact on local printing and photographic and film processing industries.

The *New Zealand Herald* recently reported that two Auckland companies feared they would lose export orders totalling \$500,000 for photographic work and printed matter as a direct result of the tax.

Film processing industry sources point to cost increases already incurred and say a further 40 per cent tax on top of those increases could wreck their industry.

But Cook said the issue had stirred up a degree of emotion which might not be warranted and was confident that the printers would win their case.

Meanwhile, some members of the industry say they expect to pay the tax.

The managing director of the Wellington-based computer typesetting company Compu-type Services Ltd, David Tregidga, said the Budget statement had been confusing.

Film suppliers Kodak New Zealand Limited had advised him the tax did not apply to photo-typesetting paper, but that it did apply to lithographic film.

He said the industry had already been hit by hefty price increases — including a 129 per cent increase in the cost of typesetting paper since January this year.

The industry as a whole had had to pass on these increases directly to clients, he said.

Others suggested the tax would not only pose "ludicrous" administrative problems for the Customs Department, but calculating the tax content of the various processing stages in the production of a calendar, for example, would prove an "accountant's nightmare".

While the Government honoured its international agreements by declining to tax overseas publications, it seemed unconcerned about the prospect of penalising local producers, they said.

One observer noted what he termed the Government's "fetish for honouring international agreements" while the rest of the world "honoured them in breech".

It created the insane situation whereby the Government protected the overseas' producer of print material at the expense of local industry, he said.

He pointed out the difficulty of applying the tax in production of a calendar or other similar article.

He acknowledged that the department had said it would allow recognition of the taxes already paid in previous processes, but how far back could one go in order to identify the costs? he asked.

Moreover, how could the tax be effectively policed?

Government's airworthiness indifference shocks engineers

THE HEAD of the airworthiness section of the Ministry of Transport's Civil Aviation Division, W R Heald, has sent shock waves through the ranks of the country's licensed aircraft engineers.

He declined their offer to provide him with copies of engineering papers presented to an international conference of aircraft engineers — the International Federation of Airworthiness — in Tokyo.

A non-political and non-trade union body, the federation was formed in London on the initiative of New Zealand aircraft engineers six years ago.

Its first patron was Sir Geoffrey Roberts, when president of the International Air Transport Association.

One of the first annual conferences, held in Auckland, was opened by the then Minister of Transport, Peter Gordon.

One of the association's prime objectives is to promote and encourage aviation safety by improving aircraft maintenance practices and through the standardisation of aircraft construction and maintenance throughout the world.

Among other moves this involves the universal adoption of international engineering licensing.

Ten per cent of the organisations that belong to the IFA are government authorities but Heald has declined to allow his organisation to join the federation.

Despite this, the official representative of New Zealand's Society of Licensed Aircraft Engineers and Technologists (SLAET) on the IFA, W H Keen, of Auckland, offered to let Heald have copies of the technical papers presented at the international association's last conference. They dealt with the international aspects of licensing, maintaining and certifying aircraft.

"We do not require any of the papers at present," Heald said in a reply to Keen's offer.

His reaction was greeted with incredulity when conveyed to SLAET's annual meeting in Wellington.

Expressing his surprise, Keen said he was left with the impression that the Government man was not interested in what was going on in the world.

"It makes we wonder just how interested Mr Heald is in learning from others, or in trying to achieve better standards of airworthiness around the world," Keen said.

"Or is his airworthiness section so smart that it knows it all?"

Broad meaning to 'marginal land'

THE lending activities of the Marginal Lands Board have given a broad meaning to "marginal land".

The board has lent money for horticultural production — kiwifruit and berryfruit — honey production, orchards, deer farming, goat farming and pig breeding.

The board's empowering legislation is the Marginal Lands Act 1950. It defines marginal land as: "*any land that in the opinion of the board is used*, or is *capable* of being used, for *agricultural or pastoral production*, but which, in the opinion of the board, is *not developed to its full productive capacity* or is declining or tending or likely to decline in productivity or has suffered or is liable to suffer soil erosion ... floods or similar disaster, and which, in the opinion of the board, is worth developing, maintaining or protecting."

That definition is so wide that surely any land could come within it, we suggested to a Lands and Survey Department official. "This is the way the board has interpreted it," he replied.

The board took over when the Rural Bank — or other institutions — would not lend, he said.

The Rural Bank had its strict criteria and in some cases the board had loaned money where farmers had been rejected by it because of their financial situation, he said.

The board's criteria was "very flexible". Each case was treated on its merits in view of the nature of the lending operation.

Money was often loaned on slim equity. More important elements were the farmer's ability and drive to make a go of it, he said.

Asked what security was given for the loans, he said a mortgage was always registered ... it could rank third or fourth. Generally there was a bill of sale on the stock.

"It's a high risk enterprise," he said, "but the results over the years show it is worth taking".

The board would refuse to grant loans when personal factors might make a farmer too high a risk, or the board considered it was possible to get the money from other sources, or the proposition itself was considered "hopeless", even with a large injection of capital.

Non-unionised hotels boom

by Lindsey Dawson

THERE'S no way you could run a hotel in New Zealand using non-union labour. But many New Zealanders have been guests in a group of Honolulu hotels where there is not a unionist in sight.

The Outrigger group is one of the few Hawaii chains which has a no-unions policy. They have not had a strike or a major dispute since the first hotel went up in 1967. There are four Outrigger hotels, offering nearly 2000 rooms.

There's no staff interest in unionising. "Why should we? Everything's great," said room-maid Margie who's been at the Outrigger, Waikiki, for 11 years. "We've got a really good profit-sharing scheme and there' a family feeling about the place."

Staff get a paid day-off on their birthday, three days paid leave to attend family funerals. Other benefits include insurance schemes, shopping and car rental discounts and a pension plan. They get award wages or better.

That "family feeling" extends to guests. The Outrigger Waikiki is "home" in Hawaii for Air New Zealand flight deck crews, and staff were so distressed when the company lost its DC10 last year that they contributed a huge floral tribute for the Auckland crew memorial service.

Two hundred people run the 523-room Outrigger, Waikiki. That is big by New Zealand standards, but a midget compared with the twin-tower 40-floor Hyatt Regency across the road, or the mammoth Sheraton next door.

The Outrigger chain is unique in Honolulu. It is wholly owned by a local family, the Kelleys. Most hotels on Waikiki are part of massive, multinational chains. Japanese ownership is common. The Sheraton is owned by the Osano Corporation, whose head is the chairman of JAL.

The Kelley family come straight out of American capitalist folklore — an entrepreneurial dynasty. Patriarch Roy Kelley, now 76 and still chairman of the company, built the Waikiki Outrigger on land once occupied by the Outrigger Canoe Club, a surfing spot watering-hole which dates back to 1908. The 1½ acre site was then leased by the club for $10 per year.

The club moved out in the early 1960s and Kelley, an architect, gathered a group of long-time residents to bid for the leasehold rights from the estate of Queen Emma and King Kamehameha IV.

Building began in 1964, and three more hotels, the Outriggers East, West and Surf promptly followed on Kuhio Avenue, one block back from Waikiki Beach.

The Kelley empire boomed from the start, the beachfront hotel running at a 90 per cent occupancy rate. Kelley's son Richard is a doctor and managing director of the group. His five children all work in the business.

But there have been, and are, problems in Honolulu.

The end of the Vietnam war and the sudden fall-off of military men on "R and R" emptied rooms in hotels back from the beach. Rooms were going out for $10 a night to tour groups.

The latter part of the 1970s were boom times, but once more the industry is feeling the pinch as recession bites on the mainland and Americans stay at home. Australians and New Zealanders now make up a hefty proportion of visitors to Waikiki, along with the ever-present crowds of Japanese.

Another factor may be the tantalising ads for other tropical holiday places in the Caribbean and Central America which are filling American magazines.

Many Americans are bypassing Honolulu's 25,000 hotel rooms and going straight to outer island resorts. Outrigger Waikiki manager Chuck Comeau readily admits that Honolulu's rapid growth has detracted from the centre's attraction as a tourist mecca.

"The city is long overdue for improvements. The industry is pushing hard for more public money to be spent on upgrading the areas back from the beach. There's a moratorium on any more big hotel buildings. The city needs more open space, and more mini-parks."

But it won't happen in a hurry it seems. The State and the City Government don't see eye to eye on whose money's going to pay for improvements.

Rent-a-tank business

IF, on your next sales trip to Los Angeles, you happen to see a tank rolling past your hotel, don't worry. It's not World War III. It's just somebody out playing in Abraham Shiepe's tank.

Abraham, a former drugstore manager bought it from MGM nine years ago for $2000. They had paid only $1 for it when the United States Army sold them off cheap after World War II.

One year of legal battles and $8000 in legal fees later, Abraham was in the rent-a-tank business. The State of California was a little reluctant at first to let Abraham have his way on the freeway. Eventually, they gave in. The interior's been fitted out with vinyl-covered benches, carpet, a stereo system and a colour TV. Anyone can rent it for $35 an hour — driver included. So many people want to do so that it's booked up to July 1981.

Other tank errands are more bizarre. One man used it to deliver a divorce decree to his wife. Ford dealer and ex-race driver Parnelli Jones decided to declare war on foreign cars as a gimmick and hired the tank to crush a VW, a Toyota and a Datsun. And then there are those adventurous types who hire it to indulge in a little hanky-panky. "People like to do it in a tank," said Abraham.

Abraham has his problems. The tank does 4.5 miles to the gallon and it's 8.5 ton weight restricts it to major thoroughfares. It's difficult to maintain, and the California Highway Patrol are fond of pulling it over on principle.

He does very nicely on it, thanks very much — to the tune of half a million dollars in the nine years he's been in business.

Short, sweet, shopping and service attracts Japanese

by Wayne Brittenden

TOURISM must be the only industry in Tokyo which Japan runs at a sizeable deficit. A million tourists come into the country every year but 4,040,000 Japanese take off — on breathlessly scheduled packages that offer little relief from the long hours of everday company life.

By August 1, Japan Air Lines and Air New Zealand will be operating direct services between the two countries.

The initial annual increase in the numbers expected to come our way will be about 8000, bringing the total to 25,000. All flights arrive in Auckland but rumours persist in Japan's travel industry that New Zealand's biggest city has a serious limit on accommodation.

Existing hotel interests are naturally hesitant to encourage competition. Figures produced in defence of the *status quo* tend to include private hotels with landladies in worn-out pompom slippers, slumping down dingy passageways, reeking of roast mutton.

This attitude reflects the common New Zealand approach that, while we want Japanese tourists, we are not prepared to make many concessions. They are not as flexible and charmed by our easy-going manner as the Americans and Europeans have been.

Most Japanese expect the attention to their needs that are characteristic of a stay in a traditional Japanese inn. Even the most breathtaking scenery is no compensation to most Japanese for cavalier service or compromised comforts.

Few New Zealanders, including those in the tourist industry seem to appreciate the Japanese tendency to interpret casualness as rudeness — a problem made more acute by the Japanese unwillingness to complain to management. Instead they return quietly home with an unfavourable impression.

It is also assumed in New Zealand that tourists from Japan want to be as close to nature as possible — an impression gleaned from the country's legendary love of nature and tranquility. These traditions are little more than quaint reminders of a past, almost completely logged over by industrialisation.

Far from choosing a single-destination, unstructured package, the average Japanese tourist likes to be constantly on the go. Family shopping trips are a Sunday pastime and spending money is associated with having a good time in foreign destinations.

Those who arrive here on Saturday and Sunday are stunned by the lifelessness of the inner cities. This leads to the belief that there is "not much to do" in New Zealand. The fact that the locals are gardening, sailing or entertaining each other in their own homes is difficult to understand. Most amusements in Japan are organised ones — often revolving around the company.

Home-stays for special interest groups — such as English conversation students — have been successful in bridging the gap.

With promotion for New Zealand reaching a record intensity in the Japanese media there might be a danger of the country becoming a shortlived, fashionable destination that could end up with underutilised tourist facilities as Japan's growing numbers of group tourists find a new "in" spot.

The Government Tourist Office's far-sighted Tokyo manager, David Lynch, said that ideally it is better to have 5000 for 10 days than 10,000 for five days.

The problem, is that most Japanese take far less time for holidays than westerners. According to 1975 statistics, they took only 8.1 days of the 13.4 days of personal holiday the average salaried-person was legally entitled to. An astonishing 15 per cent took no holidays at all.

If New Zealand does catch on as a favourite destination for the Japanese — and there are some indications that it will — there are bound to be some lively debates about how far the country should go to please them.

Topless native women — popular in a resort out of Tokyo — are not likely to go down big with Nga Tamatoa, and week-end city shopping is an unresolved issue.

But hotels could develop their own shopping facilities to include a wider and more interesting range, and opportunities provided for trips to local craftshops, vineyards or whatever. The list for positive but relatively painless improvements to hospitality is long and lucrative.

The importance to the Japanese of bringing back souvenirs dates back to the early days when friends and relations were often the sponsors of travel out of the village. Souvenirs were then offered not only as a token of appreciation but as proof that the journey was made. This tradition was driven home quite forcefully to a member of the recent Otago Trade Mission to Japan. He met a Tokyo travel executive and explained the scenic wonders of Wanaka, only to be asked what the shopping is like there.

Bunichiro Suzuki, of Japan Travel Bureau, the country's largest agent organisation, said that tourists to New Zealand are likely to be different from those attracted to Hawaii or the more tinselly locations. Possibly better educated — and perhaps with more time.

But 72.2 per cent of Japanese going abroad are males, usually for business or sometimes controversial "fun" in Bangkok, Taipei or Seoul. When he goes to the United States, Europe or New Zealand, he might be more willing to bring his wife with him. Combining business with sightseeing, it he can be persuaded to stay for a little extra time, could be an important potential market.

For the Japanese few things are quite as important as service. In their stores, restaurants and hotels staff convey a remarkable sense of pride in performing their work well. New Zealanders are apt to feel that such attention is demeaning.

An orderly growth in the number of tourists from Japan, and New Zealand cultivating a reputation for informality that is nevertheless comfortable and courteous should provide an alternative to more commercial countries. It should also ensure that the right tourists from Japan come down to us — and that we treat them in the right way when they do.

Wayne Brittenden is Radio New Zealand's Tokyo Correspondent.

Direct response: a new wave of tidal proportions

by Grev Wiggs

ANY issue of the *Listener* has many advertisements which give you the opportunity to buy products directly from the advertiser – by sending money direct with order, or when billed, or through use of credit cards.

Goods range in price from $400 downwards and include electronic appliances, educational aids, records, books and stamps.

This is just one form of direct response . . . a style of marketing which, although it has always been with us, is now

headed into a growth period accelerated by the explosion of credit facilities and computerisation.

This new market wave will be of tidal proportions, say some experts, citing the example of the United States where 20 per cent of all shopping is now done on this basis.

Sydney was the venue of a recent Pan-Pacific direct marketing symposium at which the businesses of mail order, direct mail, telephone marketing, catalogue marketing and other specialised aspects of direct marketing were presented by experts from the United States, the United Kingdom and Australia.

Among them was Jerry Pickholz, president of the American Ogilvy & Mather Direct Response, a multi-national advertising agency which has 13 direct response offices in nine different countries. Last year, the New York office was responsible for the dispatch of 300 million pieces of direct mail.

His address was directed to the Australian market, where O & M operate a direct response agency, but most of what he had to say is equally apposite to New Zealand.

Pickholz listed six changes in lifestyle that are motivating people to buy through direct response.

- More women are earning salaries and have more money to spend, but less time to shop.
- With rising oil prices it is becoming more expensive to drive to the store.
- Parking shortages and traffic congestion are making urban shopping a chore.
- Stores are giving less personal service as the cost of sales help rises.
- The size and complexity of larger stores with greater traffic make shopping less pleasant.
- Improved electronic technology is providing new ways to present products outside of stores and to supply them efficiently.

Per cent of All Adults Buying

Through Direct Response in Past Year

Product Category	
1 Magazines and periodicals	24 per cent
2 Books/book clubs	20 per cent
3 Records and cassettes	12 per cent
4 Film and developing	11 per cent
5 Shoes and clothing	8 per cent
6 Hobbies and crafts	7 per cent
7 Seeds, plants, garden supplies	7 per cent
8 Credit cards	7 per cent

Those in direct response marketing can profit from the problems of congestion, discomfort, shortages and inflation.

In 1978 and 1979, Ogilvy & Mather studied the direct response market in the United States, Australia, Denmark, Germany and the United Kingdom.

The research showed that five out of 10 Australian adults had bought something through direct response at one time or another compared with eight out of 10 in the United States and Europe. Six per cent of these Australians accounted for 74 per cent of total direct response buying. The potential for development was vast.

The specific product categories favoured by buyers are interesting.

The 24 per cent figure means that one out of four adults bought at least one magazine or periodical by direct response in the last year.

A segmentation of the market by incomes level and by sex reveals differing buying patterns for each group.

"A study of consumer attitudes, Pickholz said, "shows that those who prefer to buy through direct response are more likely to feel they haven't got enough time to do what they want. They buy more on impulse. They find it difficult to get to the store and they're more likely to look forward to the mail each day.

"Maybe that's why involvement devices work so well. Devices like stick-on stamps to indicate purchases or tokens places in slots to show a yes or no response . . . these things create a shopping experience in the home."

An important factor in building direct response business is confidence in the integrity of the company. A money-back guarantee is important. So is the ability to return goods deemed unsatisfactory. And customers want value.

"We can't expect people to wait patiently for a mail order item – much less pay for it – if they can satisfy their needs easily and inexpensively nearby," said Pickholz.

Exceptional response rates despite limited potential

DIRECT marketing is alive and well in this country and capable of producing response rates which are exceptional by world standards.

Alvin Relph, general manager of leading Wellington appliance retailers, L V Martin & Son, attended the recent Pan-Pacific direct marketing conference in Sydney.

"Comparing our results with those achieved in other countries showed that our response rate is much higher," he told *NBR*. "Potential is limited here because of the smaller population and our much lower margins. At the lesser response rate that applies in America, we wouldn't be in business".

L V Martin provides an interesting example of a retailer with a well established marketing organisation in one urban area seeking to extend its market through a direct mail operation.

At the early stages both advertised products and advertising media were the subject of experiment. "We found small appliances were not particularly successful," Relph said, "but more unusual lines, such as watches, clocks and any new appliances were better. We are meeting with reasonable success."

Kevin Morris, managing director of McQuarrie's Admall, one of the country's largest mail-order specialists, said business is healthy, and reports a one-third increase in volume in the first six months of this year. "High middleman costs are directing traders to the mail medium," he said. He described rising postal rates as a "constant headache" but all media were faced with the problems of rising costs and rates.

The new postal charges did not evoke such a philosophical response from other heavy users of the postal service.

A spokesman for the Direct Mail Association described them as "vicious increases . . . in excess of inflation". He considered that the "powers that be" were endangering further business and the Post Office was pricing itself off the market.

The Post Office is meanwhile working on a proposal to promote the post as a medium for advertising and will be releasing an advertising campaign through the K B R Mackinder agency.

Kevin Morris . . . business healthy

Timeless visual lure

"ADVERTISING experience tells us that there must be a visual lure to an advertisement – a typographic quality that appeals to the eye as soon as it comes within the field of vision. This is the whole object to be sought, through typography, for an advertisement; this is what the compositor should strive for and the writer plan for".

A quote from *The Advertising Review*, published in Wellington, September – October issue, 1902.

Southern power struggle with distribution system

Invercargill Correspondent

A POWER struggle is looming in the deep south, sending ripples of unease among electricity supply authorities.

A change to the normal practice of establishing electricity distribution authorities is being proposed in Southland, and established organisations representing reticulation bodies are not happy.

One group – the Power Boards Association – has tried to promote an alternative proposal which would preserve the *status quo* for the rest of New Zealand. But the association has succeeded only in generating distrust, and its scheme seems likely to be rejected.

Southland is in a unique position with electricity reticulation. Its major authority is the Southland Electricity Power Supply, which is in effect a division of the Ministry of Energy.

The State took over what was the Southland Electric Power Board in 1936 when it ran into financial difficulties, and the Government and the Electricity Department have made various moves in the past to try to get rid of its sole reticulation authority.

The other major supply authority in Southland is the Invercargill City Council. It supplies power to all but about 9000 consumers in the city.

The SEPS supplies power to the northern and southern suburbs of Invercargill and the rest of the province. The tiny Bluff Borough Council supplies power to its own patch.

The Government is again looking to rid the Ministry of Energy of the SEPS and the most logical scheme would be to merge all three authorities into one.

In these days of regionalisation, the most logical authority to run it is the Southland United Council, comprising all territorial local authorities in the province. An energy committee could be formed to which other interested parties could be seconded.

The Government is apparently keen on such a step, although there will be no force. Perhaps the most ticklish question to be overcome is that of compensation for the existing supply authorities. That could take several forms.

Sources close to any negotiations, say that fair compensation could be worked out, but a major investigation would be necessary.

With the wide spread of the Southland province, and no ripple control, SEPS is not the most desirable supply authority. But if the Government helped out in the short term, it could become profitable longer-term.

Under an amendment to the Local Government Act in 1978, regional or united councils are empowered to become involved with energy in all forms. The savings of having one authority for an entire region have become obvious to some in ministry and Government circles.

But the established electrical supply authorities have a lot of political clout. In 1976, they convinced the Government they should no longer come under the umbrella of the Local Government Commission. Before that, their continual opposition to the Electricity Distribution Commission led ultimately to its demise.

The way the Government was thinking, however, so concerned the Power Boards Association that its president, L C Anderson recently came to Southland for a secret meeting with the two major rural territorial authorities – the Southland and Wallace County Councils – and Federated Farmers.

From that meeting a committee was formed to push the Government into allowing a power board to be formed, although spokespersons have since conceded that one electricity authority would be more logical.

The New Zealand Electricity Supply Authorities Association is unhappy with a united council entering the reticulation business. Its attitude is that such councils are too inexperienced.

A split is now apparent between the urban and rural authorities in Southland, which may make it awkward for the Government when it puts forward proposals for a single authority.

All authorities are represented on the united council, and all will have to agree before an energy committee of the united council is formed.

Sources believe that will take time, but with sufficient carrot from the Government like ripple control – which the Labour Government actually approved, but which was knocked on the head in the present Government's 1976 cost-cutting days – only a little stick will be needed.

Power boards know that successive governments have been keen on reducing the number of electricity supply authorities.

They have had little success, but authorities fully realise that if a single Southland regional electricity authority becomes a reality, the Government might be encouraged to use similar stick and carrot methods elsewhere.

At the moment, Southland is in a unique position, but savings in such areas as administration, stores and buildings would apply throughout the country.

Rationalisation . . . one regional authority mooted

Iran holds key to EEC shipmeat deliveries

by John Draper

BRITISH farmers are unlikely to be happy with the sheepmeat deal that Prime Minister Rob Muldoon has extracted from European Agricultural Minister Finn Gundelach.

If Iran turns on the hand that feeds it, Britain will again become the safety net for New Zealand's principal export, lamb.

Iran willing, New Zealand is unlikely to meet the 234,000-tonne quota which Muldoon and Gunderlach provisionally agreed, subject to confirmation by the European Economic Community's nine agricultural ministers.

Last year New Zealand shipped 230,000 tonnes of lamb and mutton to the community. This season the figure will barely reach 200,000 tonnes and in the season after that, it may be even less.

Iran holds the key. Publicly, President Bani Sadr expects the country to move towards self-sufficiency in food production over the next few years.

Interviewed recently by *Le Monde*, Bani Sadr said rapid economics expansion triggered by generous bank credits extended to agriculture and industry had mopped up unemployment.

"I am proud to announce that for the first time in 30 years, Iran doesn't have to import wheat anymore," he said.

"If the schemes that have become operational succeed, our production of meat, sugar, even rice will meet all our needs in the next two, three or five years."

But this year Iran bought 64,500 tonnes of New Zealand lamb and would have taken more if it was available.

Government representatives have already made known they will be seeking at least 100,000 tonnes of lamb and 50,000 tonnes of mutton next season.

And despite Bani Sadr's optimism, informed sources predict that Iran will be a net food importer for the rest of the decade if not until the end of the century.

Iran's agricultural problems extend back beyond the Islamic revolution that toppled the Shah.

Land reforms had already driven many from the countryside to work in car, refrigerator and other factories as the Shah sought to create an industrial base.

Even before the revolution, Iran had become an importer of American rice while wheat production was falling.

The Shah also embarked on a sophisticated agro industry programme, attempting to increase meat production by intensively rearing sheep.

For many reasons the programme was a flop, not least

Finn Gundelach . . . quota difficult to satisfy

because sheep do not readily adapt to intensive feedlot techniques. Disease was rife, management poor.

During the revolution established flocks were severely depleted. A meat shortage as the turmoil suspended imports sent prices soaring and encouraged farmers and nomads to increase slaughtering.

Victory celebrations added to the demand.

Even before the Shah's overthrow, Iran was producing only 600,000 tonnes of the 850,000 tonnes of sheepmeat needed with Rumania, Bulgaria, Argentina, France, Australia and New Zealand supplying the balance.

Iran's hunger was the New Zealand meat industry's salvation. With the signing of four-year contract for 200,000 tonnes of sheepmeat last year, sluggish prices in Britain firmed in response to the smaller volumes available, creating a boom year for sheep farmers.

Now the Meat Producers Board and the Meat Exporters Council are faced with an awkward joint in their recently developed marketing strategy designed to get the maximum returns by careful market manipulation.

Diversification from Britain has worked so successfully in the last few seasons that there is not enough sheepmeat being produced to satisfy both the European and Middle Eastern demand.

To return fully to the European fold may be politically desirable to stop the Common Market trimming the 234,000 tonne quota. But to do so will mean keeping Iran hungry.

Feeding Iran will create a danger the meat trade is already aware of, an unhealthy dependence on a politically unstable market whose collapse could cause disaster.

But the industry must also look a season or two ahead at the rapidly increasing production. This season's 27.2 million kill was a record and new records are expected in the coming season and the one following as sheepnumbers reach 68 million and the annual kill 30 million plus.

Depending on the prices the Iranians are willing to pay, *NBR* understands their request for 100,000 tonnes of lamb will be given a sympathetic hearing though 50,000 tonnes of halal killed mutton will be beyond the capability of existing freezing works.

And because estimates of the kill next season range from 28.5 to 29.3 million depending on the weather, the increase in production will only keep pace with Iranian demand, leaving Europe short.

The result should be strong prices at Smithfield, still the world lamb price indicator despite its diminishing role in the British meat trade, and more dollars for the New Zealand sheep farmer.

Freight priority gives horticulturalists the pip

by John Draper

MARLBOROUGH exporters are being driven out of business by Air New Zealand's apparent policy of passengers before freight.

Despite the departure nightly of an Argosy freighter from Safe Air's Blenheim base for Auckland International Airport, horticulturalists are being forced to truck exports to Christchurch or risk damage through transhipment at Wellington Airport.

For one asparagus exporter, the continuing hassle of getting produce away over the last 14 years have become too much, and he has now decided to accept returns of 50 per cent less on the domestic market.

Cherry exporters, who were airfreighting 60 tonnes of fruit to Auckland during December five years ago, are now airfreighting less than 10 tonnes because of Air New Zealand's unsympathetic attitude towards freight.

Cut flower exporters are enduring similar problems.

Ideally, horticulturalists want a direct flight to Auckland leaving late in the afternoon to allow a full day's picking and packing to connect with international departures that night.

Matt Thompson's now defunct Nationwide Air was prepared to offer the service but was thwarted by the Air Services Licensing Authority last year.

Also last year, Air New Zealand proposed a direct weekly flight to Auckland, departing at noon Monday on condition that certain minimum cargoes were guaranteed and the produce was ready for loading at Woodbourne at 10am, a near impossible deadline for growers to meet.

Former asparagus exporter Ralph Ballinger said airfreight was the number one problem facing Marlborough exporters.

"Air New Zealand never has been freight-minded. They must fill the passenger planes first," he said.

The result was that cargoes were often offloaded when there was extra passenger luggage to be carried on the four Friendship flights a day out of Blenheim.

Even if the produce did get across Cook Strait safely, there was no guarantee it would not be left standing on the tarmac for several hours, waiting for a connecting flight to Auckland he said.

And it was not unknown for produce to be put in the Wellington Airport coolstore and forgotten about, Ballinger said.

Asparagus, cherries and cut flowers needed to be kept cool in transit to ensure arrival in peak condition and top prices.

Crops cargoes . . . often offloaded to accommodate extra passenger luggage.

"Once the temperature goes up, deterioration sets in," Ballinger said.

Britain's Covent Garden buyers will readily pay $1 a stick for top quality asparagus in December, the equivalent of $7.70 a kilo.

But once deterioration has set in, buyers were hard to find at any price, Ballinger said.

Japanese, Hong Kong and Singapore buyers also paid top prices for high quality produce and Ballinger's exports alone were frequently in excess of 400 kilos a year.

Leading cherry exporter Don Ivory now trucks fruit to Christchurch to connect with Air New Zealand's daily DC10 flights to Auckland rather than risk having export orders left standing at Woodbourne.

Growers have pleaded with Air New Zealand, and earlier with NAC, the owners of Safe Air, for direct freight services to Auckland without success, except in times of crisis.

To avoid prolonged industrial disputes at Wellington Airport several years ago, NAC yielded to grower pressure, but made it clear it was a once only arrangement.

In the following season, growers were put off chartering an Argosy when NAC's price proved to be higher than normal service rates because there were insufficient back loads to make the flight economic. NAC rejected the growers offer to load the plane themselves to cut costs and make the charter viable.

This year Air New Zealand is adopting a more positive attitude with the Railways' rail-air contract due to end in November, leaving Safe with grounded Bristol freighters.

At a recent meeting attended by 150 Blenheim horticulturalists, manufacturers and other interested exporters, Air New Zealand offered a daily Bristol freight service to Wellington during November and December, the peak exporting months for asparagus, cherries and cut flowers, with the possibility of an Argosy service to Auckland.

But Ballinger is not optimistic. "I have heard this so often before from Air New Zealand," he said.

Last year, the space on the nightly Argosy was contracted to Nelson-based TNL Ltd, which intended to sub-let it to cherry growers and other exporters in the region. But poor weather ruined the export crop and the plan.

Air New Zealand cargo division spokesman denied that the airline had been unsympathetic to the growers' needs.

He confirmed that a northbound Argosy did touch down nightly at Blenheim for "technical reasons", usually a crew change, but said the space aboard had already been committed to cargo among the four main centres.

The only spare Argosy capacity available was on the once-weekly positioning flight from Blenheim to Auckland on a Monday afternoon and this had been offered to exporters, particularly the cherry growers, last season.

Space was offered on the daily Friendship flights to Wellington at the standard rate less 25 per cent, with additional capacity at charter rates on Bristol freighters. Air New Zealand has also offered exporters a "very competitive" ex-Christchurch rate to fill the daily DC10 flights to Auckland.

Air New Zealand's freight team expect to meet Marlborough exporters and other airfreight users from the region soon to complete arrangements for the coming season.

Regional development

Council sweet-talks potential developers

TENSIONS within Waitemata's City Council and the particular problems posed by a dispersed and politically active populace were described by Warren Berryman last week in the first of a two-part survey of the city's affairs. This week he looks at the council's tactics of "fast-track approvals" and property development to attract industry.

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McFarlane Laboratories, a Waitakere Trust pub, a tyre company, Plessey (NZ) Ltd, and two motor trade related companies.

McHardy estimates the rate revenue from the Lincoln Road block at $250,000 a year once the sites have been sold.

The Sturgis Road property is now owned by Neil Holdings Ltd.

Much of the information regarding this industrial park proposal came to *National Business Review* as it did to others – in the form of a file marked "confidential" to council from the city manager.

The file opens with the city manager saying: "Right at the beginning of this meeting, I must emphasise that this report is confidential to councillors. It may well be that council decides on a course of action different to my comments. It is in council's interest that my comments are not used by anyone, councillor or others – against council's decisions. Copies of this report have been restricted to councillors, the town clerk, city treasurer and the city planner."

According to these leaked documents, the proposed Waitemata Industrial Park will be developed along these lines:

Waitemata City buys the 47 hectares from Neil Holdings for $1,638,500. Neil Holdings then uses this money to develop the site.

The Mainzeal Corporation then enters in a marketing construction role.

Mainzeal will find the buyers and then put up the buildings on a lease back or for sale basis for industrial users.

All-up development costs were estimated at $61.776 a hectare (including land price). After subtracting land used for roading and services, about 40 hectares would be left for sale.

Neil Holdings and the city would split any profits 70/30 with the lion's share of profits and liability going to the city.

The land has a railway line running through its centre. And the council sees it as a potential site for a 600-tonne bulk LPG installation – specially now that the Liquid Gas Consortium has been frustrated in its attempts to set up a marine terminal at Onehunga.

Neil Construction wrote to McHardy saying: "Our company is currently going through a difficult era of reduced profitability, heavy commitments and high interest charges."

Pointing out the advantages of the land, the main trunk railway line and the "almost untapped labour catchment", Neil said its policy would be to "mothball the development for several years unless some joint development basis can be arranged".

To finance its part of the deal, council would have to borrow up to $2.5 million. And the city already has loan debts of $21.8 million.

Assuming the city borrowed only $2 million on a 20-year term, debt servicing would come to about $325,000 a year. Once the council bought the land from Neil Holdings it would forego its $28,400 a year in rates until the property was sold and the rate holiday expired.

The crux questions are: How fast will the land sell? And for how much?

McHardy said that to break even, the city would have to sell four hectares a year starting at a first year's price of $98,840 a hectare.

Development work might take two years, he said.

McHardy's critics, including some Auckland businessmen well versed in the commercial property market, doubt he can even sell four hectares a year.

South Auckland is serviced by motorway, rail, gas, and cheaper electric power than Waitemata, and has a ready pool of unemployed. And South Auckland experience shows that cheap land prices to not necessarily attract industrial buyers in today's economic climate.

Waitemata's city manager Tom Smallfield said in his report to council that 16 hectares of industrial land sold each year would bring a cumulative reduction in residential rates of 2 per cent a year.

But, he warned: "Because interest rates are so high, the revenue from land development is not likely to produce any surplus (it may not even break even). The revenue may just only pay the costs. Land developers have found over the last few years that the profit is only in the erection of houses, not the sale of the lands."

Smallfield warned the council about getting involved in land dealing without the requisite expertise.

McHardy reported to council last December that he had discussed the development with Neil Holdings and Mainzeal Corporation and with Hooker – Mainzeal in Sydney. McHardy said: "Neither company knows of each other's interests, but the whole proposition has now reached the stage where the approval in principal of council is required before any further discussions are held lest there be a later embarrassment."

A senior Mainzeal executive scoffed at the suggestion that his company would even discuss such a proposal without knowing who the other party was.

McHardy said an updated valuation of the property was about $1.6 million, or $30,888 a hectare.

The Valuation Department priced the land in 1978 at $1,000,500 and has since said that the value has gone down, not up.

So, say McHardy's opponents, why is he willing to pay $1.6 million for a property that might be worth only $0.8 million on today's market?

A report from the Valuation Department poured cold water on the scheme, pointing out the fact that vast stocks of industrial land in the area were lying vacant.

Waitemata City had the lowest percentage of developed industrial land sites in the west Auckland area, the report said.

Reasons for this were:

- Waitemata's restrictive ordinances (Waitemata has a powerful environmental lobby);
- Waitemata's industrial areas are surrounded by low-density residential areas offering a poor labour pool;
- The public transport servicing the industrial sites was poor or non-existent;
- And the electric power costs were among the highest in this country. There is no gas supply.

As to possible sales of land, the valuers' report said that between 1973 and 1977 there were 15 vacant industrial sections sold each year. There were no sales in 1978 and only five in 1979.

The valuer concluded, saying the area was oversupplied with industrial properties.

In 1976 an Auckland Regional Authority study of the area pointed out the vast stocks of vacant industrial land going begging – enough, the report said, to accommodate 8000 jobs and meet the needs of the west until 1986. This report did not include the Sturges Road land owned by Neil Holdings.

Since the ARA report was done, industrial development has diminished along with population growth. So the 1976 estimates can be considered overestimates.

Much of the industrially zoned land in Waitemata is planted in grapes. The vintners pay only rural rates so long as the land continues to be used for grape growing. If the vintner eventually sells his land for industrial use he can reap the capital gain without bearing all the past rate penalties of holding industrial land.

An extract from a report from Waitemata's City manager dated January 14, 1980 said: "Historically the county did buy land for investment and was very successful at the Glenfield Centre. But some other projects became a liability such as the Whangaroa Centre. At the end of last year it was sometimes wiser to invest in stock at 15.6 per cent than invest in land with the present downturn in the economy and the recent advice that inflation is very high. I wish to be sure that before advising council to purchase cheap industrial land, spend money on developing it and find that the developed land still has a low market value. I also have doubts whether this is a local Government function in the light of present Government policy."

There is some confusion on just how much land is to be involved in the Waitemata Industrial Park. McHardy's proposal talks of 53 hectares. But Neil Holdings' proposal mentions only 47 hectares. Some peripheral land not belonging to Neil Holdings may become involved.

If the industrial park is successful, it should increase the value of nearby properties.

Near this Sturges Road block, on Metcalf Road, there is a three hectare block whose subdivision has already been considered by council.

Land Transfer Office records show that Ian McHardy and Bernard Allen, acting for the B G Allen Family Trust, bought this land for $56,000 and mortgaged it to Davenport Buxton Gibson Securities Ltd for $30,600 (McHardy was formerly a member of the legal firm Buxton Gibson McHardy Partners). This sale and mortgage were signed on December 20 1979 and registered in the Land Transfer Office on March 15 1980.

This block of just over three hectares sold for $56,000 – or about $19,000 a hectare. It is not too far removed from Neil Holding's 47 hectares, which at $1.6 million, works out at about $34,000 a hectare.

McHardy said the price the council would pay Neil Holdings was still open to negotiation.

Waitemata city treasurer D H Weir presented an outline of a four year plan to develop and sell the Sturges Road land in four hectare blocks:

- Year one: Development phase, no land sold. Loss to council in debt servicing and foregone rates – $353,400;
- Year two: Two four hectare lots sold for $250,000 each. Cumulative loss to council – $345,200;
- Year three: Two lots sold at $280,000 each. Cumulative loss – $275,900;
- Year four: Two lots sold for $300,000 each. Cumulative loss – $157,700.

At this stage there would be a further six lots to be developed for sale. And the council would have a $325,000 a year liability for 16 years totalling $5.2 million on an original $2 million loan.

McHardy's opponents, Covic and Harcourt, oppose the Sturges Road plan. Covic said if it went ahead it would be a disaster.

Several ratepayers associations oppose the plan on the grounds that the council's foray into property investment, without proper expertise, and against expert advice, would be an undue charge on ratepayers.

Environmentalists and residents stand in opposition to the proposed LPG station on public safety grounds claiming an accident could lead to a fireball enveloping schools and residential areas close by.

And the question of McHardy's business interests arises again.

McHardy and fellow councillor Warren Flaunty both hold shares in Mainzeal Corporation (7000 and 7500 respectively). Mainzeal, a public company, has no control over who buys its shares. And McHardy's holding comes to less than 0.4 per cent of Mainzeal's 1,932,300 shares.

McHardy said his name appears on the Mainzeal name register, but he said he did not own the shares himself.

But this shareholding has Waitemata's anti-McHardy contingent fired up for another round of allegations of conflict of interest.

Apart from being the favoured builder for the Sturges Road industrial park Mainzeal has an associate company, Hooker-Mainzeal, which also has considerable land holdings in Waitemata.

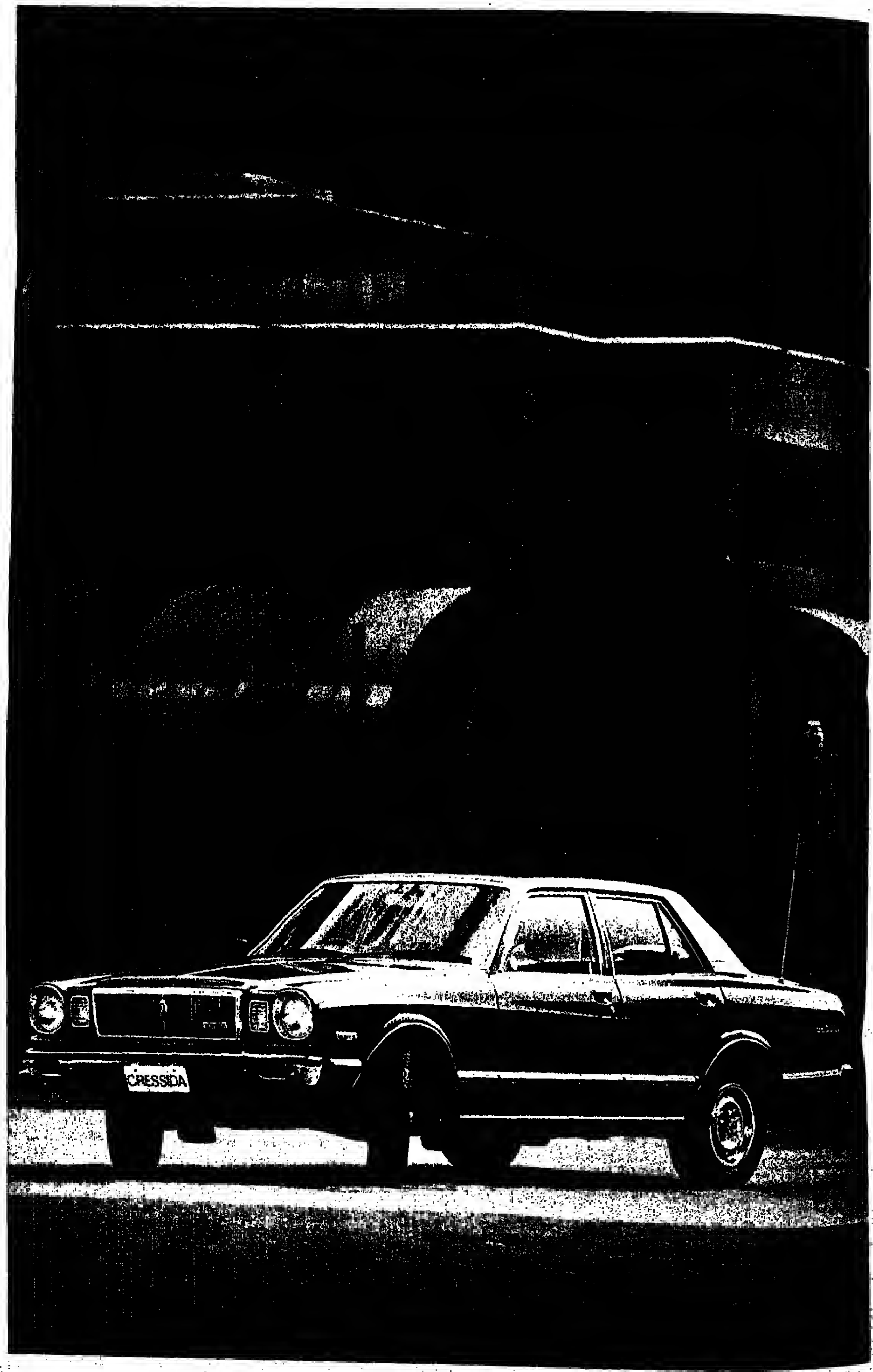
Hooker-Mainzeal owns 200 acres of land near Massey, 90 acres of which have been sold to African Lion Safari Parks Ltd, conditional on planning approval to loose lions, camels, emus, and other fauna on the $225,000 property.

The lion park is being opposed by locals who fear the lions will wake them with roars in the night, pong, and pollute their stream with dung. Opposing locals complain the proposed lion park was inadequately advertised for objections.

Hooker-Mainzeal also owns two blocks of land near a proposed marina development owned by Seabar Developments Ltd.

Hooker-Mainzeal general manager Terry Quinn acknowledges the marina will boost his company's land values when it opens.

But Quinn said he had never had either written or verbal contact with the Mayor about these properties.


CRESSIDA

Possibilities of recycling from domestic wastes

by Ian Miller

MOST people will have noticed that a significant volume of plastic goes into their rubbish bags. The exact amount discarded daily is not known, but more than 50 tonnes a day of plastics may enter New Zealand's major rubbish tips.

Even if that estimate is inaccurate, the amount is substantial.

The cheapest of plastics cost about $1400 a tonne. These costs will rise with the price of oil. We are throwing away some $25 million a year, all in relatively scarce overseas exchange.

So why don't we recycle? The fact is that we already do.

Industrial processors and large users of film collect their waste plastics and make them available for recycling. This is done because large amounts of the same type of plastic are available at one location, relatively free of extraneous material.

The opposite is true for plastics in domestic refuse, and the initial problem is trying to recover the plastics.

There are only two alternatives: The plastics can be separated either in the household, or mechanically at a central processing site.

A central processing unit is uneconomic because the output is not marketable. That leaves separate collection.

Before local bodies throw up their hands in horror, this does not necessarily mean yet another bag in addition to the several already proposed. There is no reason why totally unlike objects could not be put into one bag.

For example, it is relatively simple to separate glass, metal and plastics from each other, but relatively difficult to separate them from bulk refuse.

It is also cheaper. Smaller plant is used to process high-value materials.

The next problem is to separate the variety of plastics. An environment group (students at Victoria University) analysed refuse in Wellington and found the plastics fraction comprised 64 per cent polyethylene, 21 per cent polystyrene, 9 per cent PVC and 6 per cent others. Thus 94 per cent of the plastics consists of three materials. It is likely the polyethylene fraction contained some polypropylene, and the polyethylene fraction would be a mixture of low and high density polyethylene. This is not serious because blends would be acceptable for many purposes.

Plastics separation will have to be carried out at a factory. The individual will not be able to recognise the various plastics, even with the best of intentions. This can be done but at a cost. Manual sorting is doomed to fail, although some obvious materials, such as high density polythene film, could be removed while feeding the first stage of a process, which would almost certainly involve size reduction.

What methods are available? The simplest involves agitating the chopped plastic in water, preferably with a surfactant, because only the polyolefins float. Because these comprise two thirds of the plastics available, this simple technique makes a substantial inroad on the problem.

If necessary, further separations of the polyolefins can be made on the basis of density difference. Since the bulk of this material is low density polyethylene a blend of the total polyolefin fraction should be eminently marketable.

PVC can be recovered in a similar fashion by using a fluid approximately 1.25 the density of water.

To all intents and purposes PVC alone sinks, although other rarer plastics, such as polyimides, could also be present. The remainder includes polystyrene, and others.

There are more complex methods available for separating individual components but no suitable plants appear to have been built. Any investment therefore, would carry a risk.

Further, there is little point in devoting too much effort in recovering minor components.

There is another subtle problem. Plastics contain additives and pigments and wastes contain dirt. All these must be removed or incorporated in the product. They *can* be removed, at least in workshop scale runs, but at a cost.

Polyolefins have few additives, and there is a limited market for black plastic.

This market is unlikely to absorb 30 tonnes a day. The recycling of plastics from domestic wastes will therefore depend on either a large market for brown or black plastic, or the use of more novel processing. This, in turn, would require development and risk money.

For some plastics, further additives may be required, and the exact composition of additives in the final product will not be known. This is not necessarily a problem. Additives are there to make the plastic workable and to give it desirable properties.

The major requirement is that the plastics have the desired properties, and not that the additives follow a set pattern which may be only one of a range of acceptable formulations.

This raises the question of specifications. Many specifications are unnecessarily stringent because they have been written around the available material — virgin resin.

There are some uses for which virgin material must be used — plastics in contact with food for example. This is not because recycled material cannot be brought up to standard, but because its use is an unnecessary risk.

There are many other possible uses where the required properties of the material are much less than those specified. Virgin properties are specified simply to save the effort of working out what is necessary.

There is a final problem — the difference between what can be done and what is done. Plastics recycling involves medium level technology. The industry may be small and may not have any technical staff.

Many recycling ventures have been floated more on hope than skill, and these dismal efforts give the whole concept of recycling a bad name. Good intentions are never a substitute for skill. The tragedy here is that one highly incompetent processor can create an image that is extremely difficult for the remainder to overcome.

This resource can be used. There are no insurmountable technical problems, although methods of processing which differ from those currently employed will be necessary. This will require on-going technical development, because the plastics industry is perhaps the most rapidly developing materials industry.

Also an aggressive search for new markets is needed to cope with the substantially increased tonnages. In short, the exercise is possible, but only with a considerable amount of entrepreneurial skill.

A start has been made, however. With technical assistance from Chemistry Division, DSIR, Plastic Granulators at Otaki, has installed plant to recycle about 2500 tonnes of polyethylene film a year and provides technical data, such as melt-flow index, for their product.

Some of the technical development necessary to process more difficult raw material has been undertaken. While the start has been made, however, it is unlikely that the bulk plastics from the domestic sector can be recycled in the near future.

DR Ian J Millar is information officer with the chemistry division, Department of Scientific and Industrial Research.

THIS survey on the plastics industry is prepared by David Peach in association with the Plastics Institute of New Zealand.

Discard . . . 50 tonnes a day may enter rubbish tips

Big top drum holds apples

AN award-winning plastic drum, originally designed for the meat industry, is showing great versatility.

The 200-litre drum, manufactured by the AHI Plastic Moulding Company in high-density polyethylene, has been adopted for use in a Hastings apple cannery.

Known as the "Big Top", the drum was designed as an alternative packaging for sausage casings which create corrosion problems with steel drums.

Last year the Plastics Institute of New Zealand judged it as the best design in the blow/rotational moulding category of its annual design awards.

Now the Nelson Apple Cannery plant in Hastings believes the drums are ideal for packaging apple concentrate. A big advantage of the screw-top drum is that it is easily cleaned and is re-usable.

Plastics

Accomodating All Flex AGM

NEWLY-formed AllFlex Holdings Ltd of Palmerston North has timed its first annual general meeting of shareholders on July 30 to enable staff to attend.

Chairman of directors John Burford, said the meeting has been scheduled for 5.30 pm because many staff members are shareholders.

Allflex was formed as a public company, encompassing the operations of Delta Plastics Ltd, in February this year. At that time, a large number of Delta employees accepted an option to take shareholdings in the new company.

Delta Plastics recorded a profit of $1,792,000 for the financial year just ended, and $697,000 of this amount is attributable to the operations of Allflex during the last quarter.

Humes spread wings

AUSTRALIAN-based ACI-Nylex Pty Ltd, recently bought by Humes, is trading under the name of Garnite Pty Ltd.

The operations of Garnite Pty Ltd have not been changed and the company will continue to offer its products and services.

Humes and Garnite supplies a large range of UPVC and polyethylene pipes and fittings to the engineering, civil contracting, mining and rural markets.

Humes Limited also bought 100 per cent of the issued capital of ACIU-Shome Pty Ltd and as from July 1 1980, the company will be known as "Humes Limited, Plastics Fittings Division"

Container firm umbrella

RHEEM Industries' Rheem-Pak division, which manufactures plastic containers for the cosmetic and pharmaceutical industries, is trading under the name of its parent company, Rheem New Zealand Ltd.

According to Rheem general manager John Maddock, the move will bring administrative benefits and give export products a specific New Zealand identification.

Fifty per cent of the group's products were exported in their own right as direct exports or as containers for other New Zealand products, he said.

One such product is tubes which are exported to Australia and the Pacific containing well known brands of cosmetics. They also supply containers for medical products which are sent throughout the world.

Three other trading divisions will also operate under the Rheem New Zealand Limited umbrella.

Ball valve for Australia

EXPORT sales worth $600,000 are expected for a PVC ball valve unit marketed by Noel Products Ltd, of Auckland. According to managing director, Rod Penny, the majority of those sales will be to Australia.

Noel Products has researched the Australian market and found that no equivalent type of product is manufactured there.

Penny says the research revealed that the Australian plumbing industry relies heavily on imported ball valve components from Japan. Under the terms of Nafta, his company can supply their product at a more than competitive price.

Already the company has appointed selling agents in Victoria, New South Wales and Queensland to promote and market the teflon-sealed ball valves. Recent demand for the 15 - 50mm units has been so good that further agents will be appointed in other states.

The PVC ball valves are also having a major impact on the local market with sales likely to exceed $300,000 this year.

Penny said that until his company began manufacturing the vales locally, an Australian-type situation existed here.

"Valves made from plastics were imported from Japan and Taiwan," he said. "We considered these to be of a lesser quality than the product we now market, and developed tooling to produce our own plastics valves. We now hold a major share of the local ball-valve market."

The 12-year-old company, which specialises in marketing plastics plumbing wares, has had similar export success for a number of the other products it handles.

Small, but regular export shipments of bath and shower units and plumbing componentry are regularly sent to Australia and Pacific Basin countries.

Hotwrap bags for bread

BREAD almost straight from the oven can now be bagged in plastic without waiting for it to cool.

Bakers had not been able to use plastic bags for hot bread because of the condensation problem. A special polythene film with hundreds of tiny ventilation holes has solved all that.

The AHI Plastic Film Company has installed new machinery from Europe to produce the "Hotwrap" bags.

Micro perforations allow heat to escape before condensation can form and spoil the bread's fresh, crisp crust.

The bags have been approved for use by the Health Department.

They can be conveniently wicket-stacked, said consumer packaging manager, Paul Claasen. Advantages to the consumer are that the bread is totally enclosed, but can still be seen through a colourfully decorated bag.

Hotwrap complements Plastic Film Company's extensive range of products and services available to the bakery industry.

Vinyl walls popular

PLASTIC materials are playing an increasingly important rule in the production of modern, serviceable wall-coverings, according to the New Zealand manager of Ashley Wallcoverings Ltd, Roger Ball.

Ball said the vinyl coverings produced by Ashley fall into two main divisions — paper-backed wall vinyls and lacquered papers.

The paper-backed wall covering consists of an unprinted paper base which is coated with a pigmented layer of polyvinyl chloride based material.

The layer is strong and thick enough to be removed from the paper backing to form a self-supporting film.

Ball said that when it is decorated by the gravure printing process and hot embossed, a permanent dimensional effect is impressed into the surface.

This fusion of the printed pattern with the PVC substrate puts paper-backed vinyls in the highest category of wall covering performance standards, he says.

"Decoratively, this type of surface is the highest quality because it lends itself to fine detail in printing through its smoothness and freedom from fluff. And with the gravure printing process many interesting design effects are achieved".

Other high-performance ratings attributed to Ashley's wall vinyls are its hardwearing, scruff resistant and scrubbable surface. Because of the use of the PVC surface mild liquid detergents can be used to remove practically all domestic blemishes and stains.

Ball said one of the many advantages of using wall vinyls is that when the time comes to redecorate a surface the PVC coating will peel away from the paper leaving a lining paper on the surface. This can be left as a lining paper or stripped off in the usual way.

Vinyl lacquered wallcovering — or acrylic-coated as Ashleys have termed them — are printed wallpapers over which a transparent PVA resin film is coated to give the papers a good washable characteristic.